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ABSTRACT

This report brings together a number of principles as to best practice in supporting, through training, growth of small and medium-sized enterprises (SMEs) in Central and Eastern Europe. Chapter 2 identifies key principles to be drawn from the West through a literature review. Chapter 3 reviews the "practice" of entrepreneurial training in Central and Eastern Europe and identifies and reviews principles that can be drawn from practices such as the establishment of Small Business Centers and other initiatives to support growth and development of SMEs and of entrepreneurship. Chapter 4's nine case studies provide an encouraging scenario as they demonstrate that many principles set out earlier, drawn from experience elsewhere, can be successfully embedded in programs in the transition economy context. The case studies involve Estonia, Latvia, Hungary, Romania, Ukraine, Poland, and Russian Federation. Each case discusses identifying customer needs, reaching the customer, program, training approach, content, location, evaluation, monitoring, followup, and future. Chapter 5 is a comparative analysis of growth training programs from supplier, buyer, and customer perspective. Chapter 6 makes recommendations for future support and development. Appendixes include methodology and

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questionnaire on SME entrepreneurship training. (Contains 45 references.) (YLB)

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REPORT

Entrepreneurial training for the growth of small and medium-sized enterprises

Lessons from Central and Eastern Europe

European Training Foundation

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Entrepreneurial training for the growth of small and medium-sized enterprises

Lessons from Central and Eastern Europe

A great deal of additional information on the European Union is available on the Internet. It can be accessed through the Europa server (http://europa.eu.int).

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1. Introduction

1.1 Background

It is ten years since Central and Eastern European countries began their formal transition from 'command' to 'market' economics. There is now a more liberal regulatory environment governing private enterprise and the activities of small business entrepreneurs have begun to achieve some economic significance. The enterprise culture, however, is still struggling for recognition; government officials do not always give fledgling small and medium-sized enterprise (SME) sectors the development priority they arguably deserve: and there is no commonly understood body of 'good practice' in small business entrepreneurial management. There is no single organisation that has assumed responsibility for disseminating good practice in the SME sector as CEEMAN[1] has for the large enterprise sector.

During the process of transition, most providers of training for small business owner managers, from institutions of higher education, to business advice centres and private trainers, have been recipients of know-how transfer programmes from European Union (EU) donor sources, if not as direct beneficiaries, then through processes of dissemination. Know-how has been assimilated and adapted by beneficiaries according to local factors that affect the universal imperatives of sustainability of the recipient organisations and sustainability of their programmes in local contexts. Among the critical factors that determine how Western know-how is adapted are the needs of small business entrepreneurs (as assessed by themselves rather than the suppliers of education and training) and the value they accord to the training they are offered.

'Good practice' combines a consideration of all of these factors. This study offers the opportunity to learn how Central and Eastern European country providers deal with them. It is hoped that cross-analysis case studies will lead to some general conclusions and recommendations from collective experience.

The cases of 'good practice' in training and counselling in this study have been drawn from Central and Eastern European and former Soviet Union countries, covering Poland, Hungary, Romania, Estonia, Latvia, Russian Federation and Ukraine.

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1 CEEMAN is based in Slovenia and actively promotes good practice in management and management training for larger enterprises throughout Central and Eastern Europe.

1.2 *Why a study on entrepreneurial training for "growth"?*

Start-up programmes and other projects aimed at promoting entrepreneurship have been widely funded in the last 10 years by national and international donors in Central and Eastern Europe. However, these programmes contained rather little or no training provision at all as training was rarely considered important and necessary at the stage of enterprise creation/promotion. Start-up loans and advice on business plan preparation were instead mostly needed and requested by "would be" entrepreneurs.

In designing an approach to this study on SME development, it was considered more relevant and coherent to European Training Foundation objectives to contribute to the development and promotion of training for entrepreneurs already in business. This choice was motivated by three main factors. Firstly, the Foundation believes training can play a major role in supporting the survival, development and growth of companies, especially where the entrepreneur feels the need for an external support to check, develop and implement his/her own ideas. Secondly the importance for any economy of the rate at which enterprises are not only created but especially survive and grow, is a great stimulus to look at how Central and Eastern European countries are responding to the need of SMEs for training[2]. Supporting the capacity of SME for growth gives training a specific economic significance. Thirdly, no co-ordinated efforts were made to classify, analyse and evaluate the approach toward training of assistance programmes for SMEs. This encouraged the Foundation to launch an initiative with the aim of contributing to partially filling the existing gap.

The group of experts working on the preparation of this report was conscious that training is only one of the factors contributing to SME growth and aware of the difficulty of proving a direct cause-effect correlation between entrepreneurial training and economic performance of companies. The project was developed with the understanding that entrepreneurial training has an impact on the capacity of the enterprise to grow or at least it increases its chances of survival, given the particular environment in which it operates.

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2 Research conducted in Poland in 1998 came to the conclusion that a 5% increase in the survival rate of companies could mean an approximate 25% increase in total net job creation over 5 years and 60% over 10 years " Firm Creation and economic transitions", J.E. Jackson, J.Klich, K. Poznanska, *Journal of Business Venturing* 14, 427-450 Elsevier Science Inc. 1999.

1.3 *Aims and objectives of the study*

The aims and objectives of the report were determined by the European Training Foundation and were shaped with reference to the beneficiaries of SME growth training programmes and the stakeholders that the study intended to influence and motivate.

This study illustrates some selected Eastern European practices in the field of entrepreneurial training designed to facilitate the growth of SMEs and reports on the lessons that have been learned in those countries.

"Entrepreneurial training" in this context means all kinds of support and assistance activities addressed to entrepreneurs in the context of transfer of knowledge, expertise and attitudes, or the facilitation thereof. Informal learning sources are considered where relevant.

In particular the report sets out to achieve two main concrete results:

- to provide concrete guidance, practical models and solutions to entrepreneurial training providers, agencies and other organisations offering assistance to SMEs in Central and Eastern Europe;
- to provide a useful tool for policy makers at national, regional and local levels as well as for all those organisations directly and indirectly involved in SME development, including the European Commission.

The cases in this study have been drawn from countries experiencing a transition to market based economies. Although there are differences in the performance of each country, it is clear that small firms are becoming increasingly important, along with the restructuring of state enterprises, market reform and commitment to the development of a competitive enterprise sector. The project aims to identify specific training activities provided by agencies and institutions to help the growth and development of SMEs in such a climate of change.

The enterprises taken into consideration for the case studies:

- have between 10 and 150 employees,
- have had at least one year of consolidated operations,
- have already demonstrated a capacity to improve turnover and have significantly increased their market share.

This band of enterprises can include former state organisations that have been privatised, new private ventures created as spin-offs from the process of disaggregating state enterprises, and new ventures created by private entrepreneurs.

2. A review of current knowledge concerning training approaches to growth SMEs

A literature review comprised the first part of the study. It focused on several key issues that have been identified by the project team (Durham University Business School (DUBS)/ European Training Foundation) as important for the training and growth of small firms, including:

Definitions and context

- how do we measure/identify SME *growth*?
- what do we mean by *training*?

Demand-side considerations

- what are the needs of SMEs relating to growth?
- how are needs converted into a demand for training?
- what is the relationship between training and business development?

Supply-side considerations

- what training support is provided for SME growth?
- how are the needs of SMEs reached and fulfilled?
- how is the impact of support evaluated and monitored?
- what are the success factors and difficulties of providing training for SME growth?

The review outlines current knowledge and understanding of SME development activities in respect of these key issues. Over 50 references were consulted during this process including academic articles and reports, consultancy documents and government and European Union documentation.

2.1 *Definitions and context*

How do we measure/identify SME growth?

In order to understand the needs of SMEs relating to growth and to effectively target support, it is necessary to be able to identify such firms from the stock of other businesses operating in an economy. Standard definitions of small and medium sized enterprises (SMEs) are usually based on criteria such as employment and/or turnover. For example, in the European Union:

- medium-sized enterprises are defined as those with less than 250 employees and less than 40 million EUR turnover;
- small firms have less than 50 employees and less than 7 million EUR turnover; and
- micro enterprises, less than 10 employees.

Definitions, however, vary according to statistical criteria between different countries and, within countries across industrial sectors or according to the application of different types of legislation.

Other, more qualitative, characteristics have also been used to identify small firms. For example, SMEs can be described as *"businesses that are owner-managed by individuals, teams and/or families"* (Italian Presidency, 1996: 5) or small firms as independently-owned SMEs, rather than those attached to a large company or group.

There are also different views as to the definition of *growth*. In many empirical studies (see, for example, Gallagher, Daly and Thomason, 1990; Gallagher and Miller, 1991; Keeble, Bryson and Wood, 1992; Davidsson, Lindmark and Olofsson, 1994; Thurik, 1995; Reynolds, 1997), growth of SMEs is usually defined in historical employment terms. Not untypical is also to define a 'dynamic entrepreneurial company' as one with a sustained record of annual growth in sales and employment over a discrete period - for example, five years (EFER, 1995). Several writers (Storey, 1994, Smallbone, 1994) have highlighted the limitations of adopting simple measures of historical employment creation over a discrete time as the indicator of firm growth as such growth may not necessarily be sustained and continuous over a longer period of time. Growth in smaller companies is often a very discontinuous process.

Other common criteria for identifying and defining growth, include:

- *Setting a certain percentage rate or degree of growth* (SBRC/PACEC, 1997; Feeser and Willard, 1990);
- *financial performance* (Storey *et al*, 1989; Kalleberg and Leicht, 1991; Reynolds, 1993; Storey, 1996; Ray and Hutchinson, 1983 cited in Burns and Harrison, 1996);
- *comparative growth (with non-growth firms)* (Hakim, 1989; Gallagher and Miller, 1991; Storey, 1994);

- *growth potential e.g. financial knowledge and 'intuition' based upon experience* (Down and Bresnen, 1995);
- *extent of internationalisation* (Buckley, 1997; OECD, 1997a);
- *assumed potential relating to the degree of utilisation of technology and innovation* (Barber and Lambert, 1997; Bank of England, CBI and Royal Society, 1997).

It has been argued in recent reports on SME growth (DUBS, 1998; DfEE[3], 1999) "that it is not helpful to think of SME growth by looking at past performance and there is no widespread agreement on how firms with the potential for growth might be identified" (DfEE, 1999: 3). Yet it is in this potential that policy makers are interested. The reports suggest other criteria for identifying SMEs experiencing growth, for example:

- "firms facing a major step change in product, market or technology";
- "firms with owners who have drive, ambition, vision, strategy and ideas for development and who are actively seeking resources and assistance";
- "firms which are seeking to export or who are already working in export markets" (DUBS, 1998: 3).

What do we mean by management development?

The term 'management development' is often preferred to 'management training' in recognition of the fact that managers develop in a variety of ways not solely through external or internal formal training. But what does management development mean to the smaller, growing firm? In a review of the relevant management development literature, including research papers, reports and surveys, Bateman and Hannon (1997) point out that "The conceptualisation of management tasks, (good) management practice, and management development [in the growing small firm] is varied" (p.1). The term is used to cover a broad range of activities, timescales, education and training needs and perceptions. In general, there is a lack of any clear or shared definition of what management development means in the small firm that is experiencing growth.

Several studies have sought to cover the range of activities covered by the term management development (for example, Johnson and Gubbins, 1992; Segal Quince Wicksteed, 1995; DfEE, 1999). Management development undertaken by SMEs is not homogeneous - the term includes on-the-job training as well as formal external training (Johnson and Gubbins, 1992), and learning by doing and buying-in management expertise. It covers external short courses as well as more extensive qualification-based training (Segal Quince Wicksteed, 1995).

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3 Department for Education and Employment, UK.

It therefore seems important to recognise that *"Management development is not formal training per se, but is the process by which managers within the business learn and embed this learning within the potential of the business to 'do something'. It is, therefore, a combination of 'know how' and 'know who'"*(DUBS, 1998: 3).

2.2 *Demand-side considerations*

What are the needs of SMEs relating to growth?

It can be inferred from the above that the process of management development will vary with the specific circumstances of individual firms. This suggests that there are different levels and types of training need in different SMEs. Existing studies about growth SMEs at best only *infer* rather than tell us directly or explicitly about the training needs of SMEs in general. Needs are often couched in terms of *barriers to growth*, of which lack of or poor access to training and management development is but one issue (see Barber, Metcalfe and Porteous 1989; ACOST, 1990; Aston Business School, 1991; SBRC, 1997; Storey, 1994; SBRC/PACEC, 1997; Smallbone, North and Kalantaridis 1997).

Studies from Western Europe suggest that growth SMEs need better access to, and provision of, management training (Segal Quince Wicksteed, 1995). Although many SMEs have a general awareness of a need for training, they tend to be vague about the specific reasons for this. Amongst the specific reasons why firms undergo training are:

- a recognition by managers that they and their staff had not undertaken training for a number of years and a fear of 'missing out';
- they see an external course as a means of addressing specific incidents or a complement to an overall process of change; and/or
- they seek confirmation of their own approach to business development.

Other key drivers for training and management development in SMEs include (see DUBS, 1998: 4):

- identification of a problem or opportunity to be overcome or grasped;
- pressure from competitors – to copy them or to improve performance;
- major changes in the business environment giving rise to threats or opportunities;
- demands for change from stakeholders, such as customers, suppliers, banks, regulators etc.;
- pressure from succession within the family business;
- pressures from powerful influences such as company boards or advisors;

- pressures from the management team to cope with their ambition and/or personal goal achievement; and
- search for resources and capacity of management to draw resources from the business environment.

The need for training can also be seen at the level of individual employee rather at the level of the firm (Segal Quince Wicksteed, 1995). Where managers have a higher degree of delegation in decision-making - they tend to receive more training (Wong *et al*, 1996). Reflecting weakness in needs analysis there is a tendency for SMEs to see training broadly as a 'good thing', rather than selectively using external training as a means of developing management capacity and capability" (Segal Quince Wicksteed, 1995: 21).

Although useful, the generalisations provided by existing studies contribute little to an understanding, in specific and actual terms, of the needs of SMEs experiencing growth. As the British Confederation of Industry (CBI) (1996: 10/20) points out "Each SME is different ... [with] a very special set of needs .... [that] vary according to size, age and style of ownership".

How are needs converted into demands for training?

The literature confirms that growth firms learn in a variety of multiple ways and from different sources (Hartshorn, 1997), not just from formal management development and training. It is, therefore, difficult to identify a specific process by which SME needs are converted into demand for training. In general there is seen to be a lack of formal training amongst SMEs and what is done is often unplanned, reactive, informal (Vickerstaff and Parker, 1995) and a ' bolt-on' rather than embedded in the activity of the firm. In addition, there is often an "absence of purposeful scanning by most growing SMEs for external assistance in the management development process" (DUBS, 1998: 8).

The key difficulties faced by SMEs in participating in training are seen as lack of time, distance and cost of courses. In the case of an Italian training initiative for improving quality of small firms products and services, the 'communication gap' between the SMEs and their customers also proved to be a difficulty in accessing training (CEDEFOP[4], 1994).

For those SMEs where there is a lack of resource to determine management development needs in line with business development requirements, it is argued that this process could be undertaken by the providers of management development/training. However, there is generally a lack of such 'hands-on' services to identify and meet SME training needs (Gill, 1994). Generalisations about needs are more likely to be drawn from broad labour market statistics than specific research amongst clients and potential clients (Parsons, 1994). Several countries have, however, attempted to remedy this by the use of intermediaries. In the UK the use of Personal Business Advisors through an official 'Business Links' organisation sought to provide a means of identifying individual firms' needs.

4 European Centre for the development of vocational training.

Overall there are difficulties in identifying unambiguous indicators of training activity and a 'training culture' of a business. It is clear, however, that small firms' perceptions about the amount of resources they have to search and pay for training and support will affect their ability to undertake training. While from a national viewpoint the small firms sector may exhibit a 'need' for managerial training and support, the need may not be recognised by the small firms concerned and, as a consequence, may not be translated into effective demand. (Kirby 1991).

Likewise, those businesses recognising the need for management development may not, by definition, be in a position to pay the full commercial costs involved.". These findings are also borne out in studies from Central and Eastern Europe and the New Independent States (OECD, 1998; Welter, 1997).

What is the relationship between needs for training and business development?

It is important to know and understand how the need for management development arises in small firms, so that managers may plan for the training and development requirements of the business and so that support can be relevant and targeted at business and management needs. It has been argued by that "One cannot separate the entrepreneur from the company. One cannot develop the manager in isolation from his firm" (CEDEFOP, 1994: 51). Moreover, it is argued that "Firms will develop their managers by a process of solving problems and grasping opportunities and on a 'need to know' basis which is contextual to their own business" (DUBS, 1998: 4), 1992) The process is highly complex and variable (Johnson and Gubbins) yet there is a keen awareness by owner-managers of the links between training and business development. All the evidence indicates that management development should be highly integrated with business and organisational development and that business development imperatives are more likely to drive the demand for management development.

Owner-managers often have a short-term perspective about the needs of their firms. Yet it is clear that management development and training in growing firms should move beyond the rectification of immediate problems (Hendry et al 1990). This implies that there is a need to look to ways of incorporating longer-term development and learning within activities which equally satisfy the immediate requirements of economic and financial performance [and] a broader based management team is the means to more effective strategic action in the long-term (Hendry *et al* 1991, p.72).

Needs will change as the small business moves through various stages of growth (Scott and Bruce, 1987). There is therefore a link between training needs and the size of the firm. It has been argued (Stanworth *et al* 1992) that the highest propensity for training is likely to occur in firms with between 1-4 employees, managing the transition from self-employed to small business, and in firms with 20-49 employees, moving from entrepreneurial management to delegative team management. In general, however, statements relating to stages of growth consist of broad generalisations and do not provide a basis for prediction: moreover many firms make no clear transition from one stage to the next.

2.3 *Supply-side considerations*

In general the focus of policy makers in Europe upon growth SMEs in because they are seen as a key mechanism for transmitting economic growth (Reynolds, 1997: 80; Davidsson, Lindmark and Olofsson, 1994). The OECD[5] (1997a, Vol.1) argues that "...fast-growing SMEs are important to the world economy. The evidence suggests, that over a set period of time and within a cohort of firms a small proportion (around 5%) will be responsible for a large proportion (around 70%) of net new jobs". Hence, the OECD, suggested (OECD, 1997a) that "The policy challenges for the 1990s include the need to promote the growth of more smaller to medium-size firms in both manufacturing and non-manufacturing. It is also desirable, from the point of view of competition, innovation, flexibility and dynamism, that more growing firms remain independent" (p.289).

The policy emphasis upon seeking to support growth firms is therefore widely evident across Europe (OECD, 1997; CEDEFOP, 1994). For example:

- In Denmark – amongst three key policy issues relevant to SMEs is attention on "the growth and globalisation of SMEs [which] require[s] policies that acknowledge SMEs' strong preference to be independent..." (OECD, 1997a: 98).
- In Finland – the major goals of the Finnish national SME policy include a strengthening of the real competitiveness of SMEs (critical to the creation of jobs). It targets SMEs with growth potential for assistance in increasing production activities (e.g. high-tech SMEs that are already internationally competitive) (OECD, op cit).
- In the Netherlands – Dutch policy is aimed at strengthening the competitiveness of SMEs. Amongst other measures, this involves improving the opportunities for new and existing businesses with growth potential to raise capital externally
- In general, there is a need for support for international networking, including the development of trade relationships and joint commercial organisations, between managers of SMEs (in Belgium and France (CEDEFOP, 1994)); and
- In Germany – there is a need for the provision of support by large firms to managers of SMEs, that are introducing new technologies (CEDEFOP, 1994).

Although there appears to be a consensus across EU countries in support of growth SMEs, comparisons of policies and programme effectiveness across countries are difficult because of the wide variety of methods for collecting and defining the statistics used by support organisations (OECD, 1997a). It has been argued that the growth impact of SMEs should not be over-estimated (Jones-Evans and Westhead, 1995). It can also be argued that currently there is a *potential over-emphasis on growth SMEs* at the expense of small firms in general and other economic objectives (re. South London TEC, Down and Bresnen, 1995).

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5 Organisation for Economic Cooperation and Development.

Overall, doubts have been raised about the feasibility of addressing, directly, growth SMEs, due to the failure to identify any distinctive or distinguishing features of fast growth firms that are of any practical use (Hakim, 1989; Storey, Watson and Wynarcyzk, 1989) (DUBS 1998). As Hakim (1989) argues, in relation to selective aid policy for fast growth SMEs - "Irrespective of the economic, social and political merits of such a policy, it could not be made to work". Others see a lack of long-term and controlled evidence in this area, so it is difficult to identify cause and effect and, therefore difficult to evaluate the impact of training on small business performance.

What training support is provided for SME growth?

In developing training support for growth SMEs a key issue is that of creating a market. Segal, Quince and Wicksteed (1997), for example, argue that "from a policy perspective, there appear to be two main areas where the present market for management training activity is failing: first, most firms do not act as informed purchasers; and second,.... many firms are being deprived of knowledge which may be valuable to them". It is clear that support is often developed in an ad hoc manner and with little controlled evaluation of the impact on SMEs. There is often competition between providers and little joint learning about what and how to provide effective training for growth SMEs.

The available evidence indicates Hartshorn (DUBS, 1997), that effective management development and training approaches are characterised by:

- an entrepreneurial orientation (Gibb, 1989);
- a focus on the real problems of the business owner (Open Business School, 1993; Marshall *et al*, 1995); and
- one-to-one approaches in the use of external consultants and in-house working with the owner-manager (Marshall *et al*, 1995).

Yet the most cost-effective delivery method for reaching large numbers is open learning and self-study (Gray, 1993). Overall it is evident (Barnes and Jones 1995) that training for high growth companies needs to be industry specific, individual and problem focused and differentiated in terms of start-up and growth phases. Suppliers should be knowledgeable of the specific management training needs of small businesses and of the needs of different types of small business. Help for specific problems is more useful than packaged management courses (Kirby, 1990).

How are needs of SMEs reached and fulfilled?

It is well recognised that marketing business support services to SMEs is 'notoriously difficult' (Parsons, 1994). Promotion through brochures and direct selling, for example, has poor take-up rates (DUBS, 1995). Firms select training providers either on the basis of previous

good experience with that provider or through recommendation (Segal, Quince and Wicksteed, 1995). The most effective means of 'marketing' support is through the SME network of stakeholders i.e. through personal contacts and referrals (Seagraves *et al*, 1996; Hogarth-Scott and Jones, 1993). Therefore, providers should aim to embed their offer for management development in the small business network, through stakeholder relationships such as bankers, accountants, other small firm owner-managers, advisors and so on (DUBS, 1998). This should involve a more proactive, integrated and long-term service provision involving identification of training needs, arrangement of training/consultancy provision, assistance with implementation and regular monitoring of the firm's requirements (Kirby, 1991).

Another way of stimulating demand for training (DUBS, 1998) is through the provision of effective and good quality business audits or reviews, based on an initial objective of identifying an individual firm's training needs. Since the owner-manager is the key person involved in all decisions about training, publicity should be targeted at the owner-manager. In doing so, the provider should emphasise the benefits of training and generally raise awareness amongst SMEs of the benefits of ongoing training (Johnson and Gubbins, 1992). Yet there are difficulties in targeting prospective firms (Stanworth *et al*, 1992) and those firms most likely to undertake management development are likely to have already experienced training.

How is the impact of support evaluated and monitored?

In general, there has been a lack of research focused upon the evaluation and monitoring of the impact of training and management development on SMEs. Nevertheless, there has been some evaluation of the impact of specific initiatives for growth SMEs for example (Wong *et al*, 1996; Ernst and Young, 1996; Down and Bresnen, 1995). Evaluations of the UK government's Business Growth Option 3 programme which provided financial assistance for SMEs to employ consultants for management development and training, shows that this gave a one-off boost to SMEs but had less significant long-term impact (Wong *et al*, 1996).

Examples can be drawn from several EU countries (CEDEFOP, 1994). Evaluations of the Danish Business Development Programme, aimed at training and developing staff, developing the personal and management skills of the participant and increasing the participant's confidence in their ability to manage the company, indicate, amongst others, that firms experienced a growth in exports, turnover, operating profit and employees after participating in the programme. These outcomes were also supported by a change in the attitude of owner-managers toward training (CEDEFOP, 1994).

Individual firm evaluations are more likely to focus upon the immediate strengths and weaknesses of the course, and what participants have learned. Such evaluations are often through informal rather than formal means. In many specific initiatives or courses provided by individual organisations, there is an element of evaluation built into the course. This may include, for example (see CEDEFOP, 1994):

- formal evaluation, using a questionnaire, at the end of each workshop or course, focusing on relevance, presentation and general comments;
- feedback via participants' counsellors;
- informal feedback from the managers or through the network of SMEs;
- internal review of the course by those involved in teaching; and/or
- indicative feedback where companies have taken places on successive programmes.

Yet it is questionable as to how far such evaluations extend in practice. There may be a need for independent evaluation of management development/training initiatives. Self-evaluation may be too positive and self-reinforcing and shy away from addressing potential criticisms or weaknesses of the programme.

2.4 *Conclusions*

The main conclusions to be drawn from the literature review can be summarised as follows:

Identifying growth SMEs – definitions and characteristics

'Growth' of SMEs is often simply seen in terms of companies which have over some period increased employment or turnover. This is not useful in targeting for training as there is no guarantee that past performance will predict potential. It seems desirable therefore to focus upon companies that are seeking to take a step change in their development.

What is training/management development in SMEs?

It is difficult to capture different types of management development in one definition. It is therefore necessary to adopt a broader approach focusing on learning by a variety of means and the development of the 'know how' and 'know who' of the owner manager and key managers.

Identifying the different levels of managerial need in SMEs

The need for training is often seen in terms of barriers to growth or as drivers for undertaking management development. The most effective way of identifying need is to look at specific types of problems encountered by managers. The needs of SMEs vary. Therefore it is important to focus on need within each firm individually.

How do needs for management development arise and how are they related to business development?

The importance of integration between business development and management development is highlighted, indicating that there is a necessity for a longer-term perspective on training needs. It is evident that needs may change as firms grow and that specific training needs may differ according to the business environment in different national contexts.

How are needs converted into demands for training?

SMEs often lack the time and resources to take up offers of training, or may not recognise they need training. Training is often undertaken in an ad hoc way, in reaction to some problem or issue. This can provide the platform for a more strategic approach.

What are the most of effective ways of marketing support?

It is not easy to stimulate the market for growth training. Some successful methods have been found, for example, in working through SME stakeholder networks and focusing on SMEs in specific sectors and size-bands.

How is the impact of support evaluated and monitored?

Evaluation of support for growth SMEs may take various forms, including formal and informal methods, internal reviews by support providers and identification of impact on business performance and attitudes of owner-managers. In general there is a dearth of good practice in this respect.

Why is it important to support SME growth?

There appears to be consensus throughout Western European economies that growth SMEs are key to successful economic growth and development. This underpins the policy move to select certain growth SMEs for management development and training. It is, however, argued that selection techniques are too crude and that SMEs are better able to identify their own needs and, therefore 'self-select' themselves for training.

How is the supply-side of training developed?

Effective supply of management development involves: an entrepreneurial orientation; a focus on the real problems of the business owner; one-to-one approaches in the use of external consultants and in-house working with the owner-manager; open learning and self-study through a structured approach; training that is industry specific, individual and problem focused and differentiation between start-up and growth phases.

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3. A short overview of entrepreneurial training for SME growth in Central and Eastern Europe

This Chapter seeks to provide a broad overview of activity relating to the training of entrepreneurs and managers of SMEs[6] in Central and Eastern Europe and the New Independent States. It draws from a review of literature of Phare, Tacis and other donor assisted training and development programmes in Central and Eastern Europe and the New Independent States, which focus on enterprise creation and growth. From this review of management training activities the key factors which would underpin the success of training programmes are identified.

A considerable amount of material was accessed, including various reports on Phare and Tacis activities in management training and other ad hoc reports and documents which seek to review management training activities supported by donor agencies in Central and Eastern Europe and the New Independent States. Apart from the evaluation of management training activities in the New Independent States for Tacis and the European Training Foundation and summaries of Phare evaluations, there appear to be few systematic economic evaluations which have measured economic impact of training either in terms of value added or more broadly capacity expansion.

There is little evidence of significant activity specifically in the area of enterprise training for SME growth. This perhaps is due to the relatively low levels of support for enterprise development compared to other donor-assisted projects. The OECD *(Entrepreneurship and Small Business in the Russian Federation, Centre for Cooperation with the Economies in Transition. CCET/DT (98) 11 20 Feb 1998)* has estimated that in the framework of assistance offered by OECD countries to the Russian Federation since 1991 Enterprise specific activities accounted for about 4% of donations of which SME programmes were a small but significant part and within which training was an even smaller component. This perhaps puts into perspective the priority given to training for SMEs and entrepreneurs in the transition process.

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6 The EU definitions of SMEs used in this review are namely: Self employed; Micro businesses 0-9 people employed; Small 10-49 employed: Medium 50-249 employed and Large > 250 employed.

The natural focus of a review would logically be on businesses in the 10-249 size range which are growing. However in the documents detailing training activities and SME development in the post socialist Central and Eastern European economies there is little evidence to suggest rigorous definitions of what constitutes training and/or growth SMEs to assist in understanding the processes at work in the areas of enterprise training and SME growth. Additionally, in practice it has proved difficult to identify growth SMEs on which to focus programs and resources. There is little evidence to suggest that small scale business start ups in Eastern Europe are associated with the psychological motives associated with long term capital accumulation. (Scase 1997). and this may be due to many factors both cultural, and economic such as a short time preference due to uncertainty. However it does raise the issue as to how many true growth companies exist.

Consequently this section of the study has sought to access documented material available and take from this information what has been learned to date.

Overall the content is coloured both by its original focus on enterprise training for SME growth and the limited range and depth of documented material available.

3.1 *SMEs and economic and social context*

After an initial spurt of new businesses creation there has been a slow-down in the rate of growth of new businesses in many transition economies. The level of new enterprise creation varies widely among countries, particularly in the New Independent States. After initial moves associated with privatisation of trade and industry in former centrally planned economies, the number of new businesses grew quickly in some countries but then stagnated or declined. In the Russian Federation where small firms produce 12% of GDP, the number grew from 268,000 in 1991 to 896,000 in 1994 but slipped to 877,000 in 1996 and continued to decline to 840,000 in 1997. By contrast Poland with a far smaller population, has 2,000,000 small enterprises, accounting for more then 30% of GDP after only ten years of free markets. Kazakhstan has only 52,000 small firms accounting for 7.7% of GDP and in 1998 the Government launched a long-term programme to raise their contribution to 50% of GDP.

Overall the European Bank for Reconstruction and Development (EBRD) estimates that employment in SMEs in many partner countries is still less than half of that of the European Union where it provides 69% of private sector employment. In the Czech Republic the proportion is 37%, in Hungary 25%, in Romania 27%, in Poland 23% and Russian Federation 10% *(Forum on Entrepreneurship and Enterprise Development, OECD May 1999).*

There are many obstacles to the development and growth of SMEs, which in some countries lead businessmen into the informal economy. In the Ukraine estimates indicate that the shadow economy is 45-50% of GDP and in Georgia the shadow economy is larger than the formal economy. The flight of businesses into the informal economy deprives the government

of tax revenues and can leave the entrepreneur vulnerable to extortion from bureaucrats and criminals.

Key barriers include complicated tax systems, high compliance burdens, administrative burdens are lack of laws governing rights to private property. Licensing procedures are often a deterrent to small businessmen as the fee is a tax: but it is also a process that breeds corruption. Collateral required for loans is often 200-300% of the value of the loan. A study conducted in 1998 on 100 Czech SMEs within the framework of Phare ACE[7], surprisingly shows that the shortage of highly qualified managers is also increasingly considered as one of the most significant barriers to firm growth.

There is a lack of political representation and small businesses have been disadvantaged by the frequent changes of responsibility within regulatory committees. Additionally, in the policy domain, priority has been given to the restructuring and privatisation of state enterprises. Key barriers are summarised in table 1 overleaf.

Despite the problems, SMEs are seen as an essential part of a healthy economy and democratic society as they contribute to:

- The creation of competitive and decentralised labour, product and services markets;
- The creation of jobs;
- Innovation;
- Supplying of local services.

One of the challenges in Central and Eastern Europe and the New Independent States is the continued development of the SME sector through the creation of a stable macro-economic environment and a regulatory environment conducive to the growth and development of business. Additionally there are instruments which can assist businesses develop. One of these is the training and development of people employed in growing companies.

3.2 *The focus of intervention*

Most Phare and Tacis intervention has been at the programme level and has focused on institution building. While Phare recognises the need for practical training for SMEs, the basic philosophy of Phare and Tacis is to support institutions which in turn assist SMEs through the delivery of training and advice. This is also the case with Phare vocational education and training where institution building and systemic reform have been the main focuses.

7 The study was prepared by M. Bohatá and J. Mládek for the research project: "The impact of Barriers to entry on the Speed of Transition: A comparative study in the different stages of transition". Phare-ACE Programme No. P95-2047-R, coordinated by Prof. L. Balcerowicz

Table 1: Key barriers facing SME development

Main barriers	Commentary
1. Frequent changes in legislation, particularly relating to tax and social insurance payments	Changes are frequent; tax officials and SMEs find it increasingly difficult to keep up to date; interpretation now more difficult
2. Lack of access to credit for SME development	Access to bank credit, particularly by start ups and young growing enterprises with a limited track record and collateral, has become more difficult
3. Administrative burdens due to ineffective internal co-ordination of SME regulations	SMEs, for example, must make tax, insurance and licence declarations to an increasing number of bodies
4. Limited awareness of the SME environment in government	Politicians and senior servants have a low level of awareness of the real operating environment of SMEs and this is not taken into account when framing new policies and legislation
5. Tax burden	SMEs believe that they carry a disproportionate share of the tax burden (compared to large firms, many of whom lack the funds to pay taxes)
6. Lack of transparency	Corruption is inhibiting SMEs to gain access in a transparent way to markets.
7. Insufficient support from Government for small firms	SMEs are critical about the very limited tangible support to improve their operating environment
8. Weak management capacity of many SMEs	Lack of small business management experience and limited budget available for management training
9. Lack of experience of most SMEs in export markets	Need to improve access for SMEs to export services

Source: Country Reports from 'An Evaluation of Phare SME Programmes' 2000.

A similar approach has been taken by USAID where support has been focused on establishing networks of Business Support Centres such as the NEWBIZNET in the Ukraine. These centres deliver practical, skill based short courses, legal and regulatory compliance to export to SMEs locally and also train the trainers to strengthen local expertise.

Phare support for SMEs has tended to be mainly focussed on credit line extension, regulatory change and access to information. The method of delivery has often been via policy advice at a national level or developing organisations centrally or locally as in the case of local business centres. Perhaps not surprisingly these business centres have tended to focus on advisory

services and information with a significant emphasis on business plan development. While there have been training courses delivered through business centres, overall the impression is that training has not been a priority and there is little evidence of specific training programmes developed and delivered for growth SMEs. It is clear that most of the efforts have been concentrated on the provision of 'off the shelves functional courses' aiming at responding to contingent problems of companies.

Given the lack of knowledge of business by people in the New Independent States and the countries of Central and Eastern Europe, the lack of emphasis on the development of business skills via training is perhaps surprising. This is partly due to the difficulties in identifying recipients, the unclear boundaries between training and consultancy and also the lack of a market for training given the limited number of viable businesses.

This can be well illustrated from data provided in the Slovak Republic country report on the evaluation of Phare SME programmes. In reviewing the performance of the Regional Information and Advisory Centre for the Nitra region over the period 1992-97, on average only 6 training courses per year were delivered while the number of clients grew from 122 in 1992, to 919 in 1995 and fell to 723 in 1997. Most of the activity focussed on the development and evaluation of business plans with well over 60% of clients being start ups and less than 20% of clients 'full paying'. While there are variations reflecting the local situation in each country and region this seems not untypical of the broad activity profile of donor supported business centres.

The report goes on to state that, *'Nitra (as with most other centres in the Slovak Republic) undertakes very little seminars and training: a function of demand and the availability of staff with training skills'*.

3.3 *Cost-benefit issues*

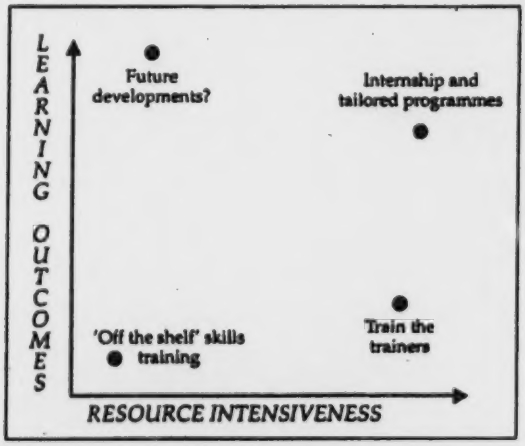
One issue is the extent to which there is an effective intervention model for training entrepreneurs and people in SMEs. Some of the programmes which have been identified as effective in the evaluation of training under Tacis, such as internship programmes, are resource intensive. Additionally, there is some evidence from the Tacis management training programmes evaluation that training the trainers has not been an effective use of resources. The programmes, which have demonstrated the greatest degree of impact in terms of learning outcomes, have been practical exercises based upon everyday problems in the business, mixing classroom and on site training.

Table 2: SWOT analysis of SME training in Central and Eastern Europe and the New Independent States

Strengths	Weaknesses
▪ Some strengthening of the institutional framework for SME training via Small and Medium Enterprise Development Agencies (SMEDAs), Business Support Centres (BSCs) and through Phare/Tacis/USAID and British Know-How Fund ▪ Focus on the development of Phare vocational education and training programmes will assist SMEs indirectly ▪ SMEs have participated to a limited extent in wider programmes such as Leonardo da Vinci ▪ Donor agencies do focus on SME training in some situations (i.e. USAID's programme of BSCs in Ukraine, Russian Federation and the British Know-How Fund in Romania and Ukraine) ▪ Considerable progress appears to have been made in strengthening some business schools and general management training	▪ At policy level, training for entrepreneurs and SMEs has a low priority. It comes a poor third or fourth after deregulation, finance, institution building and advice ▪ There have been few, if any, training programmes focussed specifically on small growth companies ▪ Some programmes are too ambitious for the local economic, social and institutional climate ▪ Few programmes are needs-driven and tailored to the local situation ▪ A lack of co ordination has created project difficulties ▪ There are doubts over continuity and sustainability ▪ There is little documented evidence of impact ▪ There is little substantive evidence of effective working models of training for entrepreneurs and SMEs in Central and Eastern Europe and the New Independent States ▪ SMEDAs and BSCs reach a very limited number of SMEs
Threats	**Opportunities**
▪ Loss of momentum if the SMEDAs and BSCs cannot be self funding ▪ Low priority given to enterprise and SME training in the early stages of restructuring has led to a poor foundation ▪ Disproportionately low emphasis on SME training compared to their place in the economy ▪ Inabilities of the institutional environment to tune in to entrepreneurs, micro businesses and SMEs which are a significant sector of most Central and Eastern Europe/New Independent State economies ▪ The informal economy in New Independent States is a challenge to the development of projects and programmes ▪ Inability to develop a market for training for SMEs	▪ Develop programmes which are tuned to entrepreneurs and SME business needs locally ▪ Develop training interventions, which reflect the modus operandi of entrepreneurs and SMEs and emphasise learning and knowledge transfer ▪ Develop new training 'models' based on the problem – classroom – experience approach with the trainer as coach and facilitator ▪ Improve pre-project development, promotion and selection of beneficiaries ▪ Link training to other programmes such as credit line extension

A conceptual model of the potential trade-off between levels of resource intensiveness of interventions and effectiveness is outlined in the graph below. The ideal programme or project is one which has low resource intensity and high impact.

Table 3: Resource investment and effectiveness of training programmes



At this stage in the development and documentation of training it is not possible to identify those programmes which can be classified as 'low resource intensity – high impact'. It will need further development of the training models based on the key success factors identified in this and other studies together with some experimentation in delivery, to move towards more cost effective interventions in the training market in Central and Eastern European countries.

3.4 *Key success factors*

Various evaluations of Phare *(The Phare Programme Interim Report, 1997 and An Evaluation of Phare-financed programmes in support to SMEs February 2000)* and Tacis *(European Training Foundation evaluation of activities in the field of management training in the New Independent States, 1999)* programmes have identified those factors, which appear to lead to better results from training interventions.

Project design

Project design is important together with greater preparation of institutions locally to receive support, as often their capacity to absorb knowledge and new initiatives is limited. Sustainability of the business centres is also a factor in securing longer-term benefits.

Sustainability

The levels of project leverage are low with local resources only contributing up to 10-12% of the project costs. This raises the issues of the longer-term sustainability of the centres. Centres, which move to a sustainable position often become private consultancies selling services to larger clients with little role in developing the SME sector. This is highlighted in the country reports of the evaluation of Phare SME programmes. *('An Evaluation of Phare SME programmes' 2000).* The Hungarian country report states the *'LEA is de facto becoming a consultancy body which successfully ensures its sustainability, but this is achieved at the cost of losing sight of the original goal to develop the capacity for SME support'.*

A similar situation occurs in Bulgaria with the Phare evaluation report stating that *'As an institution the Rousse BSC may survive, but its goals are becoming increasingly remote from conventional SME development. In addition its survival could be at the expense of developing more comprehensive SME development capacities'.*

Sustainability of the various business centres is perhaps the key issue in underpinning future support for the development of training for growth SMEs. While little of substance has been achieved to date in this area, the loss of effective functioning centres would undermine the development of programmes in the future unless other organisations fill the gap.

Training needs assessment

The design of training programmes has under-emphasised the importance of training needs assessment and has not followed through on how the trainees have used their skills. Many studies (e.g. Training and Development of Entrepreneurs-Managers of Small Enterprises: Pointers and Lessons Learned, by A. Tolentino, International Labour Organisation) have emphasised the requirement for detailed needs analysis prior to designing and developing effective training programmes. This would include using interviews, questionnaires and group discussion.

Institution building

There is evidence of the success of the Tacis Programme in helping to build up a number of institutions with good prospects for sustainability. However these have often been substantial management schools rather than organisations focusing on SME development and growth. Taking a training organisation to a point where it has a high probability of sustainability takes five years. However the institutional strengthening appears to be at the level which will assist large companies rather than SMEs. The OECD has noted that in the Russian Federation some of the training centres established have suffered from a lack of funding, the absence of skilled trainers and a shortage of up-to-date methods. SME managers usually cannot afford to pay for training services on a commercial basis.

Market development

An OECD study on SME development in the Czech Republic, Poland, Hungary and the Slovak Republic, completed in 1996 states that only 40% of all small entrepreneurs take advantage of any kind of support and only 3-5% some type of consulting. This raises the issue of communication to entrepreneurs to increase the market penetration of training programmes, which can assist their business.

Cultural factors

Importantly the socio-cultural context can be important to the success of training. While there is no formal evaluation of this variable, many of the assumptions brought by western trainers to Central and Eastern Europe and more specifically the New Independent States may be wrong[8]. A European Training Foundation study written by Prof. Sergey Filonovich *(Assessing Management Training needs Moscow and Ural Region, Russian Federation 1999)* notes some of the differences between imported assumptions and those of the participants in training.

3.5 *Challenges*

There are a number of challenges emerging for SME training programmes delivered in Central and Eastern Europe. These include:

- *The development of a market for training services for entrepreneurs and SMEs locally.* In the absence of significant private sector development in the form of successful companies, whose management recognise the need to invest in their people, there will be a requirement for continued support from the EU or National and Local Governments for training programmes.
- *Developing the institutional environment to a point where it is responsive to the training needs of entrepreneurs and growth SMEs.* In many situations, particularly in the New Independent States, local organisations do not fully understand training in terms of developing management skills to improve the operation of the company. Training is often taken to be knowledge development where an instructor imparts the knowledge required. There is consequently a need to inform the businesses of the training they need and also develop the capacity of the institutions to do this.

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8 The need for socio cultural sensitivity in designing and delivering programmes is also emphasised by Gobeli, Prybylowski and Rudelious (Customising management training in Central and Eastern Europe: mini shock therapy. David H Gobeli, Krystof Prybylowski, William Rudelius Business Horizons May-June 1998 V41). *'Effective customise training in Central and Eastern Europe necessitates trainers doing homework to understand conditions in the local country and industry or, even better, teaching programs jointly with knowledgeable local Central and Eastern European trainers'.*

Table 4: An example of socio-cultural factors to be considered in training design: Russian Federation

- For many years Russians have been taught but not trained and there are deep roots of non participatory behaviour.
- There is no general agreement that democracy and egalitarian behaviour is important to civilisation and there is no common definition of democracy as a social and political concept. This may influence the reaction of trainees when encountering concepts such as empowerment, participative decision making and other approaches to management.
- Russians will not accept practical recommendations or believe in the usefulness of a skill if they have not been told about its theoretical foundations. Training that cannot be grounded in theory or scientific method may not be readily accepted or applied.
- The normal time for training is 9.00 am - 5.00 pm with an hour lunch break.
- Explain to the participants that you will need their assistance on how the ideas and knowledge fit the Russian situation and experience.
- Use different approached for different age groups - participative for younger, discussion of experiences for older groups.
- Use paradoxes in getting the attention of participants, i.e. instead of making a statement *'co operation is the most efficient tool in problem solving'* it would be better to say *'How does co operation evolve in free market society which is based on the basis principle of competition'*.
- Substantive written materials are highly valued.
- The quality of translation is important paying particular attention to the meaning of words.
- Consider using a local co-trainer who can assist with group discussion, cultural interpretation and development of a realistic agenda.

- *Allowing for cultural differences* - designing programmes that are specific to the culture and situation locally. This would include recognition of issues of corruption and extortion, including how companies can deal with and manage their 'roofs' (protection) Ideally it would also include components on how to counteract and to minimise these aspects of developing a business.

- *Identifying recipients* - strong and enterprising SMEs/entrepreneurs - there may be many people with entrepreneurial behaviour but few legitimate entrepreneurial companies employing people. Distinguishing between those seeking short-term financial gain and those seeking to build a company may be difficult. Additionally small successful companies may not want to identify themselves for fear of extortion from the local mafia. This is a real issue which cannot be ignored in some countries. In fact, the requirement to pay for a 'roof' is a major constraint on start-ups and small business growth.

- *Ensuring continuity of access to training through SME support centres.* Longer-term sustainability is starting to be addressed but there is no documented evidence of successes. Those centres, which achieve self-generated income, often become consultancies serving larger clients and no longer play a strategic role in enterprise development locally. Even in

Western European economies, access to information, training and, low cost advisory services for SMEs are areas of market failure that require continuing public subsidy in some form.

- *Discovering what people have learned from training and what impact training has on businesses and the economy* in terms of capacity expansion and net value added. While there have been evaluations of broader SME support programmes there appears to be little evidence of specific evaluations of the impact of training.
- *Reviewing the training needs of businesses* rather than assuming off-the-shelf 'western' models apply.
- *Creating awareness and demand for training locally.* There does appear to be a need to pass the message to business people about what they will need to make a success of business. There is common knowledge and skills required with different approaches to delivery depending on the situation. This is more than marketing training courses and will require wider awareness campaigns to raise business peoples expectations about the skills and knowledge required to develop a business successfully.
- *Developing programmes, which are based on practice related learning* with considerable participation of the entrepreneur/manager with the trainer in facilitation and coaching roles, focused on specific problems and issues in the company.
- *Developing interventions, which are cost effective* in terms of resources and impact. This is a major challenge given the lack of expertise in many of the transition economies and the consequent need to import and finance this expertise. It is also linked to the issue of sustainability. If low cost effective training interventions can be developed which are priced for the local market this will increase the probability of businesses using the services and also the probability of donor organisations funding these services.
- *Developing models of intervention which lead to training services which are sustainable.* In the absence of a healthy market for training services then sustainability may require continued public sector support from local and national government. All the evidence to date suggests that relying on a market based model of sustainability leads to delivery organisations in the form of local business centres becoming consultancies and moving away from their intended role in developing enterprise and small business.

Table 5: Enterprise/SME training initiatives

St Petersburg: Tacis
The St Petersburg Foundation for SME Development was set up with the support of the Tacis Programme, the Government of St Petersburg, ICSER ': Leontieff Centre, Youth Labour Exchange and the Union for Enterepreneurship Support and Development. European counterparts of the project were the Chamber of Commerce and Industry for Amsterdam and KPMG International Markets (Utrecht). The Foundation obtained its licence to carry out business training in Jan. 1996 and since then a major focus has been training programmes for SMEs with 520 people being trained over the period 1996-97. There are training courses in 12 subjects based on evaluation of local SME community needs. Overall 36% of the inputs of the Foundation have gone towards enterprise and SME training.
Russian Federation: Morozov Project
Eight regional support centres operated by Deloitte Touche Ross under a USAID contract have provided 19,000 Russian entrepreneurs and business managers with a range of consulting and training services in less than two years of operation. These centres actively support 77 business associations and have helped small business access financing over $5m USAID support through the State University of New York to the Morozov project, a Russian non profit organisation dedicated to building the business skills and experience of Russians across the Russian Federation has resulted in the development of business training networks in 36 regions. Working through established educational institutions the Morozov project creates, refines and disseminates quality business training curricula. 1,650 trainers have already completed intensive train-the-trainers programmes at the HQ in Moscow and returned to their communities to further spread knowledge. The most popular courses include Small Business and Entrepreneurship, Finance Management and Corporate Governance.
Hungary: USAID
SEED (Foundation for Small Enterprise Economic Development) funded assistance enabled USAID to arrange short-term technical assistance by US business professionals to over 200 Hungarian SMEs, enabling them to develop business plans and institute modern management and production techniques USAID also assisted in the development of five total quality management centres, which serve hundreds of small entrepreneurs. The TQM (Total Quality Management) model has been adopted in the formal curricula of major Hungarian Universities. Some 115 Hungarian entrepreneurs have received short term training in the US and have been given the opportunity to meet American counterparts.

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4. The case studies

Nine case studies are contained in this chapter. They are drawn from Estonia, Latvia, Hungary, Romania, Ukraine, Poland and the Russian Federation. All of them focus upon aspects of developing a business. Each programme case is accompanied by one or two mini-cases setting out participant, individual and company experience.

The programme providers cover a range of different kinds of institution. Several of them are private, for example, the Estonian New-Management Institute, KETTO Consulting in Hungary and the Business Foundation MURAS in Romania. There is one major non-governmental organisation, the Business Basics Foundation in Hungary. There is one single private manufacturing company in the Russian Federation, which provides an example of how large companies can downsize into growth small and medium enterprise development. There is an autonomous government foundation from Poland (The Polish Foundation for SME Promotion and Development). The remainder are public sector education organisations, Riga International College of Economics and Business Administration (RICEBA), and the Lviv Institute of Management

Most of the programme initiatives described have been assisted by external consultants under bilateral or multilateral support initiatives in the 1990s. All are deemed to have elements of good practice, some stronger in some elements than others. These elements are brought out in a comparative analysis in chapter five.

The cases have been edited in order to facilitate comparisons. Each case begins with an introduction. It then describes the process by which needs and customers are identified and reached. A programme description follows with particular emphasis upon the training style used, content and issues of timing, pricing and location. There is then discussion of evaluation, monitoring and follow-up processes and their management. In most cases there is a final comment on the future of the programme.

The mini-cases reflect the experiences of participants, individuals and companies and follow after each programme description. In general, they endeavour to describe the individual organisation, its motivations in approaching the programme and the impact.

The table below gives an overview of the different ways in which companies in the case studies are pursuing growth.

Table 6: Case study on companies' growth

Company cases	Main pathway of growth
Wilde Irish Public House	Development of new business opportunities
A.A.M. Management Information Consulting	Better focusing existing business
Kretz	Networking
Fil un Ko	Business diversification and internationalisation
Zaklad Produkeji Metalowej	New technology and processes
Firma H. Sypniewski	Internal reorganisation, TQM and cost centres
Unisoft	New business areas – diversification of business
Malbar	Development of new products and improvement of financial management
Nastas	Development of new products and improved general management
Torgpressa	Sub-contracting and new cost centres
Sava	New technology in partnership with foreign company and networking

Case 1 Estonia

The programme: COMPANY GROWTH STRATEGY PROGRAMME

The provider: ESTONIAN EURO MANAGEMENT INSTITUTE

Introduction

In 1990, Marju Unt, the founder of this programme, started a course for owner-manager business start-ups in Tartu Science Park (the second largest city of Estonia, 200 km south of Tallinn). Marju is a mathematics graduate by background but she saw the opportunity to become a starter herself when free enterprise became a legal option in Estonia in 1989. She quickly realised that she could fulfil a need in the market for small business training in Tartu. Around the capital city Tallinn, everything happened faster and easier than in Tartu and other smaller places. Estonia has a population of 1.5 million people and a high proportion of the population is concentrated in the Tallinn area.

During 1991, Marju attended the European Foundation for Management Development-Durham University Business School course on entrepreneurial training for small and medium enterprises (SMEs). The course gave her strength and a vision of what a good course should be like, and provided many of her original ideas. The concept of the course is that of a tiny practical university. A multi-disciplinary holistic approach to business is combined with immediate practical applications to an owner-manager's own company. The target group, however, has changed over time from starters to owner-managers who wish to grow their business.

The Estonian Euro Management Institute, which hosts the programme, is a new body established in 1998. It grew from a consultancy, Unt & Co Business Training (established in 1991). The Institute is dedicated to the training of SME owner-managers, and to the development of SMEs in southern Estonia.

1. Identifying needs

The need for the programme was clear when Estonia returned to a market economy in the early 90's and small businesses started out in the new environment. Estonia was one of the few countries in the former Soviet Union which had had experience of the capitalist economic system. It was very easy to form an enterprise and the whole country quickly went through a vast change of attitude towards entrepreneurship. The general business environment in Estonia mushroomed at that time. All the entrepreneurs were amateurs and needed training; the country needed the entrepreneurial spirit to spread. The overall need was concisely expressed by a participant: *"The reason why I came on the course is that I have reached the limits of my own wisdom: in order to go on I need some more".*

At first the needs upon which the programme content was based were largely assumed and derived from a broad view of the economic and social situation in the transition economy (1992). After each course more has been learned, based on feedback from students.

2. *The customers*

The "Company Growth Strategy" programme is designed for company owner-managers, and managing directors of SME's. Most have a company with less than 15 employees. They have been owner-managers for 3-5 years. They have a high school or university education. They have started and developed their companies themselves, normally with no assistance or consultancy and they have a great feeling of responsibility for their business and for people working there. Yet they lack a feeling of professional achievement. They do not realise fully the size of their achievement and its importance to society.

3. *Reaching the customer*

Participants are attracted to the programme by newspaper ads, which have been outstandingly well designed in the corporate style over several years. Direct mailing is also used (recommended by a previous participant) and includes a letter and course brochure with programme, timing and previous participants' photos and opinions. Personal recommendation from previous participants is also important. None of the methods are very easy to operate or are very efficient. There are numerous small business persons but they are not in big clusters where course information and messages can easily be channelled to them. Getting the right people to the course is much more expensive than it was in the early 1990s.

4. *The programme*

The main programme deals with 'how to'. It aims to give participants practical help on how to cope with a wide variety of problems both inside the company (material resources and personnel), how to go about growing the market and how to develop services/products and compete successfully. The aim is to increase participants' self-confidence in the business by:

- giving them practical education, increasing their knowledge and understanding about management and marketing;
- enabling them to check out their own ideas and develop them with sound feedback in the classroom;
- helping them create a clear vision as to what they really want to achieve and how they should go about doing it; and
- facilitating the growth of networks of programme participants/colleagues/lecturers to generate friends in business rather than competitors and enemies.

Growth is defined in terms of turnover, assets and human resources and developing markets. But the key figure is the manager and his/her personal growth as a business person professionally and as a personality. The company cannot grow unless the manager develops with realistic ambitions.

4.1 The training approach

Experience exchange plays a very important role in the programme. A great deal of effort goes into encouraging participants to interact with each other and to share experiences and problems. Specific icebreaking exercises are used to get participants to talk to each other and share the issues that they face within their businesses. Throughout the programme participants are encouraged to provide each other with support and to help each other solve problems. This is a considerable challenge in Estonian society where people like to have considerable "personal space" and are not very willing to openly discuss problems and issues.

The teaching style in the classroom is therefore very interactive, practical and joyful. Serious problems are tackled with humour. Laughter keeps people interested and energetically involved. There are seminars, group work, and presentations – all with practical value. In the early stages of the course there is a two-day residential session (in the countryside) focusing on communication skills and self-development with video training to warm up relationships and to generate bonding between participants. The group (16 people) is divided into four working families, who visit each other's company and become practical experts and counsellors for each other.

For the last few years the programme has ended with a "defence of diploma thesis" where participants present their business plan to a jury of two bank managers. This procedure forces participants to take their own business plan development and writing very seriously, and provides them with relevant feedback. The whole course is extremely interactive, with several strategic group working sessions the results of which are later discussed in plenary sessions in the classroom.

There is no rigid manual of materials for the course. Materials used vary, dependent upon the learning needs of the participants. They are therefore kept on a computer and printed off when required. Developing new materials takes a considerable amount of time and sometimes they are provided 'just in time' as participants arrive for a session! The aim is to innovate on every course in some way.

A distinctive feature of the course is that most of the guest lecturers (who take up one-third of the total session time) are outstanding business people, not business trainers. Their sessions are very practical, extremely relevant and of great authority and influence. It is nevertheless difficult to find appropriate guest lecturers who are educated, experienced and outstanding – and have the desire and time to share experiences. Most active Estonian business people have very little time and too little experience to be able to generalise enough. There are few senior capitalist ex-chief executives who are willing to be mentors, but it is hoped that more will

emerge with time. Another problem is the lack of good consultants who can visit a few companies during the course to provide counselling and advice.

4.2 *Content*

The programme is divided into seven sections:

1. From business idea to business plan, including: the company's current situation, discovering growth potential, developing growth strategies, and key issues for successful growth. It sets out the major components of a business/growth plan.
2. Product and customer. It examines who is the customer, the benefits of the product and product development. It also explores the selling process, market development, and the analysis of competitors.
3. Financial position analysis. It examines the structure of costs of the company, the content of balance sheet and cash flow, and price formation.
4. The person and the team. Issues of successful leadership, time management and delegation are covered along with recruitment and job interviewing, and motivating the team.
5. Communication training (with video feedback), self-development and negotiation skills.
6. Networks and the business world surrounding the entrepreneur. It covers business etiquette, business correspondence; CV writing and presentation as well as the company's identity and image, public relations, and finding international links.
7. Regulations, new laws, business law, and bankruptcy

4.3 *Location*

The programme is located in a specially designed centre converted from a villa in an attractive location with spacious rooms and space for relaxation. It is close to downtown Tartu.

Course scheduling, after some experimentation, is now a set formula. It takes seriously into account the small amount of time SME managers are prepared to spend on training. The programme is spread over three months with sessions each fortnight on Thursday and Friday, from 2.00 to 8.00 p.m., thus taking only 12 hours every second business week. The best timings are from early February to early May, and from mid-September to early December.

The programme is 'stand alone' and the fee is approximately $300-350. The majority of participants feel this to be an appropriate fee level and some have even expressed a willingness to pay more given the quality of the programme.

4.4 *Evaluation, monitoring and follow-up*

The quality of the programme is assured directly by the course director who is present at all seminars, either delivering sessions or facilitating guest lecturers who are not professional lecturers. The interactive nature of the course is very useful for getting immediate feedback on how the programme is going and how well it is meeting the participants' needs. On the first day, using a questionnaire, participants evaluate their knowledge on all subjects of the programme as well as the importance and relevance of each subject to them. On the last day, participants complete an extensive, open-ended questionnaire where they express their thoughts and suggestions. They also evaluate their own work, the number of new ideas they have already put into practice, the degree to which their work 'family' was helpful and the cost benefit of the course. Each lecturer is evaluated from three viewpoints: how new the material was, how useful it was for the participant, and how well it was presented.

The effectiveness of the programme is not systematically evaluated later. After several years, however, it is possible to see people of one course, still meeting and being useful to each other, sharing similar problems, judgements, styles and values. In problematic situations they sometimes call the Institute and ask for advice which may be viewed as a sign of trust.

More than 300 people have graduated from this course over 7 years. Most of them have managed to survive in business in hard times. It is possible from time to time to read in a business newspaper an interesting article about some former participant's company, or to buy something with a 'familiar' label in a shop. In 1999 the business climate was a lot harder than previously.

The main problem of the programme has been the tight schedule faced by the owner-managers which sometimes results in absenteeism. At the start of the course Marju tells the participants that they can claim their money back if the course does not turn out to meet expectations - but they can claim only if they have never been absent! This method has worked well in helping owners to get their priorities right.

It seems from the feedback that a key ingredient is to make the course participants feel at ease with each other at the very start. A new system of introduction has helped in this respect. There is also always a problem to keep discussions within the time limits, while allowing (and sometimes even encouraging) people to express and develop their own important ideas. Tactful handling is always required. Selecting the right participants is also really important. Key lessons have been learned over the years about ensuring that participants are not competitors and also are at the same level of responsibility within the firm (either owner-managers or managing directors with significant powers) so that they can actually discuss issues of common concern.

5. *The future*

There are many lessons to be learned for the future. One is that in each course there is someone sitting as a student, who in fact could be lecturing. They are never missing. Yet some of the students who badly need the course are often missing. The conclusion is that absentees have a problem not so much with the course but with their own time management and understanding/listing their priorities. This is something to be dealt with in the future. Graduates of the programme point out their new ways of looking at the business, of making the customer the centre of attention and to a new philosophy of making the service of their clients the purpose of the business. The emphasis must also be upon clarification and validation of participants' feelings e.g. the courage to take risks and set goals when they have more faith in their judgements. The course must, in the future, aim to add confidence to professional decision making, and give participants the courage and energy to act fast and flexibly. There must also be an attempt to make clients feel that smart management really does make resources productive, and that this smartness stems from themselves. As a result of the programme they must realise the importance of improving and maintaining the quality of human relationships around them. Ultimately business is relationships

ESTONIA

The participant company: ***WILDE IRISH PUBLIC HOUSE, TARTU, ESTONIA***

The participating person: ***RAIN EENDRA, MANAGING DIRECTOR***

Wilde Irish Pub is the first Irish bar to be opened in Tartu, the second city of Estonia after Tallinn. Tartu has a population of 100,000 people. The original business concept was conceived towards the end of 1997 although it was not until January 1998 that the idea started to become reality. This happened when Michael Walsh and Marju Unt identified suitable premises in downtown Tartu. Renovation of the premises had been completed and a tenant was being sought by the owners. Liam Allen, an Irish entrepreneur based in Limerick already had experience of opening an Irish bar in Southern Estonia and was looking to expand his operations into Tartu. His other pub, Setanta, is based in Otepaa which is a popular lakeside resort. This business is rather dependent upon seasonal trade as there is no significant population living in the area outside of holiday periods.

Liam has a twenty year lease on the Tartu premises and as he has made considerable improvements for which he will receive some financial consideration at the end of the lease period. Originally, the premises were a printing and publishing house founded by a Dr Peter Ernst Wilde in 1766 which operated there for two centuries. The Griffen (a mystical dragon-like figure) logo which appears on the pub sign is associated with the building which was also known as the 'Griffen Building'. The Griffen sign also has links with late Tsarist period of late 19th Century early 20th Century and was commonly seen in many locations in Northern Latvia and Southern Estonia and was part of the Coat of Arms of Livland or Livonia.

The pub is named after both Oscar Wilde the famous writer and Eduard Wilde the famous Estonian writer. In fact, a sculpture has been erected outside the premises which celebrates both writers and is now a key feature of Tartu. The layout is based very much upon typical British and Irish pubs back in those countries. However, the pub avoids the pastiche style that typifies many 'Irish' pubs in other parts of Central and Eastern Europe. It recreates a very typical Victorian English and Irish Public House feel. A review in a national newspaper stated that 'it is the first time in Estonia that money, ideas and skills have been brought together so successfully.

The premises contain the Irish pub on the top floor, a Viennese style café (Wilde Café) and a bookstore. It is the largest, most popular, most expensive but fullest venue in the City!

Rain was a participant on the Estonia Euromanagement Institute Company Growth Strategy programme both in 1995 and later again in Spring 1999. In 1995 he was the owner of two village stores located close to Tartu. The key reason he went on the course was to gain some new ideas and a new direction for his business activities. Rain felt that he had pretty much reached the limits of what he could achieve with the two shops. His original expectation of the course was that it would provide him with new knowledge. The first programme Rain attended had sixteen participants. What struck him very quickly was Marju Unt's style in getting participants to be open and friendly towards each other and to discuss business issues and problems. Normally in Estonian society people are very distant and distrustful until they know each other very well. This openness enabled participants to learn from each other as well as from the trainers. Rain found that he gained a great deal of good advice and information from his fellow participants and also gained much comfort from the fact that many of them were facing similar problems in their companies. Rain believes that Marju had been very careful in selecting the participants to ensure that there were no direct competitors on the programme. This meant that people could be open with each other and share knowledge and experience without fear of damaging their business. Rain still has ongoing contacts with the people who were on the programme in 1995 and occasionally they will share ideas and advice with each other.

Rain felt that he did not add substantially to his existing knowledge but that the most valuable things he got from the programme were: an introduction to a more systematic way of structuring his knowledge; and access to the experience, contacts, advice and information from the trainers and other participants

Rain later went on to sell his village shops and was looking for a new business opportunity at the same time as the Wilde concept was being considered. Marju Unt and Michael Walsh suggested that Liam consider making Rain the Managing Director of the Wilde Pub since they knew him and they believed that he could be trusted. They also felt that he had the necessary skills to make the pub a success. It was agreed by Liam that Rain should become the Managing Director, that Rain should have total responsibility for operating the business and that he would also have an equity stake.

The pub opened in March 1998, and very rapidly established itself and grew in terms of turnover and staff. At the height of summer there are eighty employees who work in shifts. The premises are capable of holding up to 230 people at any one time as the pub has a terrace as well as the main bar area.

In order to further develop the business and to gain new ideas and contacts Rain attended the Company Growth Strategy again. This time he had different expectations about what the programme would offer. He was expecting to develop new networks as well as gain some ideas on personnel management. One of the key difficulties he was experiencing was with staff, relating to motivation, disciplinary procedures and hiring and firing.

He found that the course participants welded together like a family and that he has been able to maintain ongoing relationships with the participants. He also believes that his business has grown as a result of being on the course as he was able to gain further ideas about promoting the pub and operating it at a profit. Marju Unt and Michael Walsh have been highly involved in consultancy to the pub. (Michael provided the interior design plans for the premises). Another source of consultancy came from the other course participants. They all visited each other's businesses during the programme and provided honest opinions and advice to each other. Rain found it very useful to have other eyes looking at his business.

Some very good ideas have been obtained from the programme and there was much to be gained from the very interactive style of training. Rain is currently on a more traditional management course at another organisation and is not enjoying it so much as there is a great deal of lecturing and an academic, rather than practical, approach.

A major practical output from the programme was the business plan which had to be produced and presented at the end of the programme. Marju Unt had written a workbook which helped to provide a format for developing the business plan. There are several pieces of commentary on different aspects of the business plan which enable participants to think very carefully about the reality of the assumptions they make about the business. If the participants successfully defend their business plan to two bankers they receive an end of programme Diploma.

Rain has been using his business plan to make improvements to the business. He has been able to implement new disciplinary procedures and create better motivation in his dealings with his staff. One of the things realised is how important the people who work with him are for the success of the business.

The programme was therefore a very cheap way of tapping into the vast experience and knowledge of other participants as well as of the trainers. All the trainers had practical business experience which was very useful. But, above all, it is the ongoing relationships with former participants who continue to provide mutual support, that is the most important outcome.

Case 2 Hungary

The programme: GROWTH MANAGEMENT PROGRAMME

The provider: BUSINESS BASICS FOUNDATION

Introduction

'I received lots of information in a short time, while having lots of fun'
Ms Klara Mayer Resc

'I have participated at several training programmes. More often than not I have been disappointed. This programme is an exception, a pleasant surprise'
Ms Mihaly Metovicsx

'I received lots of help, and ideas. Excellent trainers. Thanks! '
Mr Andras Jasz

After the collapse of the state enterprises, a great number of micro businesses were formed in Hungary. In general, however, there was a recognised lack of business experience and expertise in this area. Several initiatives were put into place using foreign or government funding in an attempt to address the problem. One of the largest initiatives was that of the Hungarian Enterprise Development Foundation (MVA). A major purpose of MVA was to provide subsidised training and consultancy for micro businesses together with a package of financial help. The package allowed access to money for specific projects i.e. for exhibiting at foreign trade fairs, and also embraced small loans to micro businesses. MVA developed a network of centres around the country with the hub located in Budapest.

In the mid-1990's start up businesses were targeted and were strongly encouraged by the Government to register as members of the Chamber of Commerce. The resulting large membership generated a considerable amount of money from fees. The Chamber therefore became influential. Micro and start up businesses felt in was in their interests to be part of the Chamber particularly as legislation for business was complicated and favoured large companies and the Chamber offered a service to help small businesses through the morass.

The Business Basics (BB) Foundation has worked alongside these developments since the early 1990s as a business development organisation funded by the UK Know How Fund. BB is a not-for-profit organisation offering some services free of charge, some subsidised and some at cost. At one time there were several offices in different Central and Eastern European countries. Each office had two or three people supported by consultants who were flown in to deliver training for small and medium sized enterprises (SMEs). When the money from the Know How Fund ran out, most of the offices were closed except for BB in Hungary where the director at the time had managed to develop a suite of externally funded programmes that

could be delivered by indigenous trainers. The activities of the Foundation are funded predominantly by the Hungarian Soros Foundation.

Andrea Frenyo is the Managing Director of BB. Andrea has a background in staff management at Price Waterhouse. She has been with BB for 5 years. There are four other core staff: project manager Eva Malik a former teacher who has been with BB for two years, a client coordinator Gabor Winkler, Zsuzsa Vago, the office manager and Zsuzsa Kispesta a psychologist. In addition there are several associates and consultants who work on projects as required. The most long-standing associate/consultant is David Meier who has worked with BB since 1992.

1. *Identifying the needs*

In 1995 it became clear to BB that there was a gap in the business support provision in the country. Large companies had their own infrastructure. Micro companies had the MVA and the Chamber to help them. The gap was a lack of provision for businesses beyond the start up stage. Businesses which had begun to grow were unsure of how to manage their development. They found it difficult to identify what kind of help they needed and were not yet in a position to pay fully for consultants to help them.

The Business Basics (BB) Foundation therefore focused upon filling the role of help and support for small growing businesses. Its research identified areas of key concern for small companies including: systems for running the company, job descriptions, and management structure. There was also a cultural problem with these companies. The owners did not trust their employees. They were convinced that training their employees and showing them how to do their jobs well would result in them leaving and setting up competitive businesses. There was a feeling that employees did not need incentives or reasons to be motivated but rather that the motivation should stem from gratitude to the owner for providing a job.

2. *The customers*

At the end of 1997 there were 998,264 registered companies in Hungary. Most (97.1%) were micro enterprises with 0-10 employees. Of the remainder 2.3% were small i.e. 10-49 employees

BB took the strategic decision to target these small companies which at the time numbered 23,000. Within this group the particular target was those companies in transition from owner management to team management.

3. *Reaching the customer*

The Growth Programme is marketed by a variety of methods including:

- PR articles in newspapers;
- press releases and interviews on radio programmes;

- adverts;
- personal selling/telesales; and
- invitations to take part in the training sent by personally signed letter together with copies of the annual report and a fax back sheet. Invitations are also sent to join a Christmas party, emphasising the opportunity of networking with other companies.

As part of promotions, presentations (followed by a two-hour workshop) are given to companies in different parts of the country using business support organisations as the location. The local business support organisations do not provide this type of training themselves and there is therefore no problem about competition.

4. *The programme*

The programme has been developed with the support of foreign consultants based upon successful experience of stimulating the growth of micro companies

The programme has therefore been upgraded for the Hungarian target group. Hungarian companies are used to attending traditional training programmes where the training is delivered in a didactic way and the content is traditional management theory. The Growth Management Programme, in contrast, involves experiential learning and self-assessment and is a very innovative experience for participants.

The BB Foundation held its first Growth Programme in 1996. Fifteen companies took part. The aim was to encourage companies to move from a product to a market focus and thus achieve growth. The measures of growth are defined as:

- Increased profitability as a result of greater market share.
- Growth in numbers of employees.

To meet these objectives the programme endeavours to develop a picture of company strategy and the employee position within it. It also seeks to develop an action plan based on what has been learnt and what might be done in the future. Individuals on the programme develop themselves by identifying how they work and how they learn and, in particular, how they might better manage resources.

4.1 The training approach

The teaching approach focuses upon interactive workbooks, games and use of participants' experiences and problems as real life case studies. In addition there are situational exercises, short lectures, individual and teamwork, and analysis based on video recordings and games. Team as well as individual teaching is used.

The core staff includes specialists in psychology, human resource development and marketing strategy and planning. An entrepreneur is also used to provide input on marketing materials.

Two of the experts used are employees of large companies. The whole team was initially female. When the programme started it was unusual for males to get involved in delivering training for the not-for-profit or voluntary sector. The women who presented on the first programme are part of a network of trainers and consultants who are still used today. Andrea and Zsuzsa of BB lead the programme and choose participants, team teach and divide the follow-up consultation between them as appropriate.

The material used is made up of a learning style questionnaire, a 'happy cube' and a 120 page interactive workbook. The questionnaire is sent to participants before the programme begins. They are asked to complete it and bring it with them on the first day. The questionnaire is based on the Kolb model of learning styles, which identifies individuals as theorists, activists, pragmatists or reflective learner types. The Happy Cube is also sent before and used initially as an icebreaker. The workbook is given to participants on the first day. No case studies are used except for the case studies of the participating companies. The programme incorporates interactive training games which are usually undertaken in pairs and which are related to the course content. BB has made great efforts to ensure that all parts of the programme are interrelated.

4.2 *The content*

The programme content covers the following areas:

1. Strategic thinking methods;
2. Business self assessment techniques;
3. Training needs analysis;
4. Planning;
5. Researching and managing a growth project;
6. Improving systems for decision making; human resource development;
7. Strategic development for growth; and
8. Identification of barriers to growth in the company.

4.3 *Location*

The programme is usually held in a hotel in Budapest although participants are drawn from all over Hungary. BB tried holding the programme in different regions but the participant numbers were too small to make it viable.

4.4 *Timing and pricing*

The format of the programme is a 3-day residential period followed by an opportunity for individual consultancy sessions lasting up to 4 hours. On the first programme approximately

half of the participants took up the offer of consultancy during the 2 weeks following the residential period. Subsequently some of the remaining participants also took advantage of the consultancy.

The length, location and choice of days for the programme were decided after consultation with customers. The programme is held on a Thursday, Friday and Saturday. The participating companies pay one third and the Soros Foundation funds the remainder of the programme costs.

4.5 *Evaluation, monitoring and follow-up*

The programme is evaluated initially by participants providing verbal feedback and also by completion of a paper based evaluation, which involves scoring different parts of the programme. After the end of the programme BB tries to maintain an ongoing relationship with the participants. The participants are invited back onto subsequent programmes and after a period of time it is possible to note progress against the defined objectives of increased profitability, increased market share and increase workforce numbers. No formal data is, however, available.

4.6 *Management*

There are seven key issues in managing the programme successfully. Firstly recruitment; it was particularly hard at the beginning and is still hard work. BB would ideally like to get some high profile coverage on TV in order to solve this problem. Second, the venue is important. It should be light and airy with room for moving about. Third, it is important to project a professional image in order to maintain credibility with their customers. Fourth, the materials should look attractive, contain challenging content and be sent out at the right time. Fifth, the staff team should be able to work well together. Ideally they should be able to work intuitively: this is especially important during the team teaching sessions. Sixth, the delivery has to be open-ended, with a commitment to respond to individual needs. Finally, the follow up consultancy must be very carefully undertaken.

5. *The future*

When BB began to develop the model they had problems initially in trying to make the content interactive and experiential. They were used to teaching functional subjects in a traditional manner. Only after testing the new model on friends were they able to develop the content and delivery in the way in which they wanted. When Zsuzsa, the psychologist joined the staff team the process began to get easier. Since the success of the initial Growth Management Programme, Growth Management 2 has been developed. This programme focuses primarily upon how to handle conflict.

HUNGARY

The participant company: *A. A. M. MANAGEMENT INFORMATION CONSULTING LTD*

The participating persons: *ZSOLT CSALA AND MIHALY ISTVANOVSKY*

AAM Management Information Consulting Ltd participated in the first Growth Programme. The company has three partners/owners, Gabor Kornai, Laszlo Ternyik and Ferenc Hemrik. There is also an expert partner who is an employee of Anderson Consultants. AAM Management Information Consulting Ltd was formed in 1994 with 10 employees. There are now 104 employees with plans to increase to 110 by early 2000. It is currently the largest independent, totally Hungarian owned consulting firm, which specialises in management information for the Hungarian market. AAM has the professional knowledge and experience to promote the general spread of information technology, widely used in Western countries, into the Hungarian business and service sector.

The company provides consultancy in areas of: operational audits, problem screening of organisations and business systems, procurement analysis, business process re-engineering, management of change, identification of goals and tasks, project recommendation and implementation plans. The company has two unique selling points: firstly, a multilingual staff; and secondly, the ability to translate business theory into practice. It is committed to motivating and retaining its staff and places a high value on training. The customers for AAM are the larger companies in Hungary. The size of the market is large, as IT is still relatively new to Hungary. Purchases of hardware and software are substantial and therefore there is a high demand for customisation of applications.

The main competitors are global companies such as Andersons, KPMG and Deloitte and Touche. AAM is able to compete with the large consultancy firms in two ways: price and culture. AAM is more competitively priced than the global companies and many Hungarian customers prefer to use an indigenous company rather than a Western based one.

In the summer of 1995 the managing director, Gabor Kornai saw the newspaper advert for a 2-hour presentation on the newly developed Growth Management Programme. The presentation was held by Business Basics (BB) and 20-22 people attended. The message of the presentation was, 'if you are at a point of potential growth in your company but are unsure about how to progress, attend our 3-day programme and we'll help you'. Gabor was sufficiently interested to send two members of his staff on the first programme. The two staff members were Zsolt Csala and Mihaly Istvanovszky.

Zsolt Csala was, and is, a manager at AAM. Zsolt is an active rather than passive learner but believes that sometimes passive learning can be effective. He likes to be taught in an indirect way, through interactive lectures and experiential learning methods, but he also likes to read and research information and is aware of the latest news and methods in his special field of work. Zsolt is definitely a team worker. He has participated in several programmes run by BB since the Growth Management Programme and values the 'other way of thinking and new way of seeing things' that he has acquired from participating in the programmes. Zsolt particularly liked the content focused on leadership styles.

Mihaly Istvanovszky is an expert at AAM, which means he is a manager with only one or two programmes to look after. He is an active learner and prefers to work in a team and in an experiential way. He found the human resource management and the situational exercises in the programme most enjoyable and informative.

These two people were participants on the first Growth Programme. Since then BB have run 18 more programmes.

Gabor, the Managing Director of AAM did not have any specific expectations of the programme and felt that nothing tangible came out of it. No huge impact or affect was felt when the two participants returned to the company. However, ever since the programme (three years ago) AAM has had a very good relationship with BB and the Foundation has become 'part of life', so much so that BB ran a programme particularly for AAM in order to help the company develop their mission statement. Subsequent to that BB has run sessions for AAM dealing with team building issues.

Now BB is involved in recruitment of AAM staff. BB carries out initial screening of applicants, draws up a personality profile specific to AAM's needs and culture and moderates the AAM assessment centre for university student applicants. Finally BB is involved in the orientation training of new AAM staff on a regular basis.

The relationship between AAM and BB is described by the company as a 'trustful relationship with a good networking nature'. It has grown out of the Growth Programme.

Case 3 Hungary

The programme: START-UP TO DEVELOPMENT

The provider: KETTO CONSULTING LTD

Introduction

Agnes Tibor, Managing Director of KETTO, became interested in small enterprise development in 1981 when she was a journalist and new government legislation permitted the initiation of new types of small businesses. She became a member of a partnership and in 1985 established with 3 other people an unlimited partnership "PRAXIS" for consultancy and training for small and medium sized businesses. This business lasted for eight years.

In 1990 she joined SEED (Foundation for Small Enterprise Economic Development) as Managing Director. SEED was one of the first non-government enterprise development organisations in Hungary, set up with the support of some Hungarian Ministries, the moral support of the US Ambassador, Mark Palmer, and the director of the Hungarian "International Management Center" (later to become the premier business school in Hungary). SEED's initial work focused upon a consulting service for SMEs. Later it developed training courses with support from American, Dutch and German specialists. It also became involved in publishing enterprise material and curriculum for teenagers - using as basis the work of Durham University Business School in England. Financial support was gained from the British Know-How fund, to publish a teacher's manual and organise courses for teachers with the cooperation of English specialists.

The idea for the Start-Up to Development programme came from experiences of consulting with many aspiring "start-ups" with common needs.

Upon leaving the management of SEED in 1992 the Start-Up Programme experience provided a framework for new business, KETTO Consulting Ltd, a company established as a husband and wife partnership. The aim was to develop training programmes and other services for SMEs.

1. Identifying the needs

From the experience with SEED it was clear that there was a low level of business skills in start-ups. The first "Start-Up!" courses convinced the partners that it was important to focus upon developing basic skills in participants. This was not, however, the only problem. The entrepreneur in the 90s in Hungary had low self-esteem. The main reason lay in the high level of unemployment - after so many safe years - and the general climate of social uncertainty. Would-be entrepreneurs did not know the most important requirements for running a

business. Neither did they have the networks, so they did not know where to go for help and information.

2. *The customers*

There are two groups of customers, the Local Enterprise Agencies (LEAs) and their entrepreneur clients (the final target group). Those who come to the programme either want to establish a small business or have a small business that they want to develop further. All the participants must have at least a business idea for initiation or development. The customers include employees looking to work for themselves, unemployed people, women returning to work as well as existing owner-managers.

3. *Reaching the customers*

The LEAs advertise in local newspapers and on cable TV. The training managers of LEAs recruit the participants according to their understanding of local needs and through their own contacts. At each location where a course is organised, a one-day presentation is made to anybody interested. This is followed by an invitation to participants to write about themselves and their idea. In the second part of the day there is a personal discussion with each applicant about his/her intentions and expectations. The aim is to ascertain how serious is the intention to go into or develop the business and participate in the course, how strong is the business idea and how high is the level of intelligence and potential engagement of the participant.

4. *The programme*

The major objective of the programme is to develop skills for presentation, negotiation, handling conflicts, hiring and firing and for general management of a business. The aim is to create belief in the importance of a good idea, the market research and marketing plan, and the writing of a business plan.

4.1 The training approach

The focus is upon short lectures, completion of questionnaires and discussion of the results. There are games, exercises, presentations and syndicate work. Use is made of video and "tacepaos", as well as action/development work at home (for example, in exploring participant Strengths, Weaknesses, Opportunities and Threats through (SWOT) analysis).

There is a constant group of trainers and specialists: made up of one trainer, one trainer and coordinator, two marketing specialists, one lawyer, one financial specialist, and in reserve, one trainer and one more financial specialist. All the trainers and specialists have their own business. There has been no special training for them. During the pilot course they demonstrate what they can do, what works and what does not. The trainer has 15 years

experience and was a partner in putting together the course. The trainer/coordinator has 7 years experience, sits in on all training in the pilot programme and after each module gives feedback to the moderator. If the trainer's performance is satisfactory then he/she will continue into the next programme. There was a problem in training trainers. Five were initially trained but three began to work on their own account, without indication and in two cases major materials were stolen.

4.2 *The content*

The content of the course is two-thirds input and one-third exchange of experiences of participants. The basics of business are taught but participants are not given a manual. They are provided with an empty ring-binder and they put together (and write and draw) their own manual including handouts, questionnaires, notes, etc. No written cases are used, just short examples or extracts. The main focus is upon the participant's own case. In addition, each group is introduced to a collection of useful books, most of which are written in Hungarian. The course is complex. The participants learn as much as they invest. It is tailor-made for the group, but is also geared strongly to the individual.

The LEAs play a major role in providing consulting support to the participants. The local bank is also involved: one of the bankers gives feedback to the participants on the business plans. Local entrepreneurs are invited to introduce their businesses.

4.3 *Location*

The programme is delivered at a local level and is 90% residential. It is usually located outside the city in a pension or small hotel 15-40 kilometres from a county's main town.

4.4 *Timing and price*

The course is 168 hours (14 days) long. It consists of three 3-day modules, one 2-day module, 1 orientation day, one consultation day and one follow-up day. The training days are mostly at the weekend (the investment of participants time is one of the objectives). The programme is very intensive and the days are often from 9 am until midnight. The intensity stimulates the involvement and engagement of the participants in the process of self-assessment. Generally the LEA charges the participants and pays KETTO at standard Hungarian consulting rates. The LEA subsidises the course, but the degree of subsidisation varies from one LEA to another.

4.5 *Evaluation, monitoring and follow-up*

The participants evaluate each module in turn and, eventually, the whole course, from the viewpoint of how useful it was for them. In this process they award points to the trainers and specialists. KETTO is involved in follow-up monitoring but the LEAs pay special attention to following up former participants. The evaluation feedback is positive. In many cases the participants, after the course, establish a club, or join a local club of entrepreneurs.

4.6 *Management*

The role of the organiser (coordinator) of the course is very important. S/he binds together the modules. The role of the local LEA training manager is of equal importance as s/he is responsible for recruiting, providing information about the courses, controlling the course and reserving places on the course.

The coordinator needs to manage the facilities, including the training, room, the equipment, the catering, the standards of the hotel or pension, copying facilities for handouts and other materials, managing and briefing the expert-tutors and the provision of paper, folders, pens, etc. The venue needs to be checked in advance, paying special attention to the size of the room, the chairs, tables, the wall (for displays), the time of breaks and meals, the distance from the training room, the restaurant and the accommodation. Special attention is paid to the fourth meal, the supper in the late evening.

5. *The future*

There are difficulties ahead. There is no clear intention (or money) from the government or from foreign sources to continue to support either skill development, or the start-up process and self-employment. The ideology is that starters must help themselves. The LEAs are concentrating upon short courses only, focused upon the "hard" information, (changes in taxation, how to manage simple bookkeeping etc.).

HUNGARY

The participant company: ***KRETZ (Translation Services)***

The participating persons: ***ILLANA & ADAM***

Illana runs a business providing interpretation, translation, language teaching and consultancy services. She works with her husband Adam who was formerly employed by a Local Enterprise Agency (LEA). They are both involved in the running of the business and they also employ a number of sub-contractors. They cover all European languages (mainly English, German, Italian, French, Romanian and Russian). Their customers are private individuals, local government, the police, politicians, some private companies (if trading externally) and other public/civil organisations.

Illana's aim in attending the programme was to explore ways in which she might focus more upon promoting the service to private companies. She and her husband presently work from a small office. Office space is not important, however, because they often work at home and in different locations. Overall they are looking to expand and need to prepare for an increase in demand.

Illana graduated in English and Hungarian and taught at an English Secondary School for four years. She then began to provide translation and interpretation services. Eventually she left the job to go to a re-training centre to teach English. This gave her more flexibility, and enabled her also to continue with translation and interpretation work.

She started her private enterprise in 1995. It is a Sole Proprietor-Unlimited Partnership (family) business.

The SEED programme provided her with the opportunity for education and training in starting and running a business, an area in which she had no previous experience. The advertisement attracted her, but she learned most about the course from her husband who was at the LEA at the time and indeed organised the programme on behalf of SEED. Her need was for basic knowledge on start-up, marketing, accountancy and basic business systems and development.

Illana found the programme both highly participative and intensive and therefore tiring yet stimulating. The group of participants was good with many open personalities. This enabled the kind of involvement which she liked and which added considerable realism. It was important to hear from other owner-managers and learn from their experience. Overall the programme covered everything she needed to know although it was sometimes too long without a break.

Key areas of learning for Illana were:

- *Taxation rules, communication techniques and financial methods.*
- *The preparation of business plans which helped in thinking through the business (the plan, was not used for bank borrowing).*
- *The contact with other participants over a six month period of follow-up (but subsequently lost).*
- *Learning about oneself and from others who had more experience in the business world. Illana realised that she was more theoretical than other participants, who tended to be practical and spontaneous. There was a lot from the experience of others of value to her, in particular, how business connections are made.*

Adam, her partner and husband, thinks that as a result she is more practical and flexible and more interested in external information and views. She is therefore progressing from being a teacher to being a businesswoman. This will continue in the future with a much stronger focus upon practical experience.

Case 4 Latvia

The programme: MANAGEMENT OF SMALL AND MEDIUM ENTERPRISES

The provider: RIGA INTERNATIONAL COLLEGE OF ECONOMICS AND BUSINESS ADMINISTRATION (RICEBA)

Introduction

Irina and Ella were sitting in the office of the International Learning Centre discussing how the Centre might develop new training programmes when the telephone rang. "Riga International College of Economics and Business Administration. Can I help you?" A male voice on the other end said: " I read an article about your College saying you run a management course. Can you tell me more about it" Irina and Ella looked at each other: "Somebody has talked to a newspaper and they did not warn us. We don't run it any more" Irina rushed to get a file with the programme while Ella was talking to the man: " Can you tell me something about yourself?" – "I own a small company ...."

... Somebody knocked at the door. A short man came in. " Hello, I am Igor. I want to study at your school " – What do you want to learn? – "I don't know really. A friend of mine graduated from your school and her business is thriving now. I think I want to join your management course. I own a small company but something is happening with my customers. They stopped buying pipes from me. A couple of years ago they would call me and I had to put them on a waiting list but now they would rather buy a more expensive product..."

"This is perfect timing. In two weeks time we start a course for entrepreneurs. You are welcome to join the course." He went away. A teacher of marketing smiled: "They always think something is wrong with their customers. He does not understand that the market has changed and there may be no demand for his product any more".

The programme "Management of Small and Medium Enterprises" is delivered at the International Learning Centre which is a division of Riga International College of Economics and Business Administration (RICEBA). The main line of activities for the college is an undergraduate programme of business studies. The college was founded in 1993. The Learning Centre is engaged in short term training programmes including management training. It employs two people on a full-time basis. The mission of the college is to be a gateway to international careers and this mission has been expanded to all the divisions. The goal in entrepreneurial training is to enable entrepreneurs to understand that global competition is having an impact on both large and small companies in most sectors of industry and to equip them with the knowledge and skills necessary for expanding their business beyond Latvia (which is really a very small market). Latvia has a population of just over 2 million people.

1. *Identifying the needs*

Irina Kuzmina, the Head of Business Studies on the undergraduate programme was writing a Ph.D. dissertation on entrepreneurial activities in Latvia. In her research she analysed the nature of entrepreneurship in Latvia and the social and economic background of the phenomenon.

The survey demonstrated that 70% of all business in Latvia are SMEs. About 60% of these are engaged in retailing. The entrepreneur profile found in the research makes clear that entrepreneurs lack business education. The research showed a high 'mortality rate' among companies in the 4th or 5th year of operations. Companies seem not able to cope with growth problems and are too product oriented. This opened the gateway to the education and training of entrepreneurs.

2. *The customer*

This profile of Latvian entrepeneurs shown in the research corresponds to those potential participants who now show interest in the programme. Typically, most clients are men in their 30s or early 40s working in the retailing, construction and the wood processing sectors. They have at least a first degree in engineering or a related discipline. They are owner-managers of their company employing on average ten people. Their motivation to join the programme can be linked with recognition of the need for change in their business. The programme is seen as a means to find new opportunities for the development of the business.

3. *Reaching the customer*

The programme is advertised in business newspapers which offers a focused approached to marketing. Personal recommendations are important - from both existing and past programme participants. Although entrepreneurs do not seek qualifications they place a high value on the attendance certificate presented at the end of the programme which is badged by RICEBA. The reputation of RICEBA as a higher education institution helps the marketing of the programme.

4. *The programme*

The aim is to provide entrepreneurs with a holistic overview of their business, encourage them to think strategically about the future of the business, and develop and implement a plan for growing the business. Many entrepreneurs come to the programme having identified the symptoms of problems within their business. A common example is, "I have a really good product that nobody wants to buy". Yet the underlying question is "what does the market want to buy from me?" This is a very important issue in Latvia, leading to a focus upon encouraging entrepreneurs to move away from a product orientation (which typifies old business approaches in Latvia) towards a market orientation.

A major aim of the programme is to help solve problems. One such problem involved an entrepreneur who owned a company that cleaned ships. He was experiencing problems motivating staff who were recently unemployed people recruited from the local unemployment office. He wanted to know how to motivate such staff so that they would undertake tasks to the necessary standard. The real issue, however, was the selection of the right people for the job. The programme seeks to help entrepreneurs to address the underlying causes of problems and so put their business on a more sustainable footing.

Delivery of the programme started at the beginning of 1998 and the programme is still evolving and being adjusted to entrepreneurial needs. The programme content was originally taken from existing modules provided by RICEBA to young undergraduates. These modules have, however, been tailored more closely to the needs of small business owner-managers over time. The programme has been gradually focused upon practice, not theory, providing many examples, practical role playing exercises and case studies. The teaching style has also developed. It is recognised that small business owner-managers do not like being lectured at. The 'traditional' teaching style has therefore been modified and is now aimed at maintaining participant interest. The particular needs of participants are met by providing consultancy from tutors. The classroom based training focuses upon general issues of interest to all participants and the consultancy inputs allow them to pursue particular issues of concern within their own business.

A key feature of the programme is the induction session at the beginning. This allows potential participants to "taste and see" what the programme has to offer before they have to part with their money! It also puts pressure on the institution to make sure that what is offered is compelling. A key innovation is that the Rector of RICEBA leads the session focusing upon the differences between entrepreneurs and managers. The Rector is highly credible. He has started up, sustained and grown several small businesses in Latvia starting from the days when small private enterprise was first legalised under the Gorbachev Perestroika reforms. This presentation in turn underpins the credibility of the programme and the credibility of the lecturers which is important. Participants are keen to be trained by people with practical business experience. The staff at RICEBA meets this criterion. As a result, only one person (out of over forty) who came to the induction sessions has not joined the course.

4.1 *The training approach*

The programme trainers are under constant pressure to adapt and develop materials specifically for each group. Undergraduate programme materials are wholly inadequate. A financial incentive is given to encourage lecturers to tailor their materials for the group and thus maintain the programme's reputation.

Handouts are provided to participants by tutors and recommended reading is suggested where appropriate. Cases are used that have been produced in the Russian Federation where there are similarities to Latvia in terms of the transition to a market economy. They are much more appropriate than Western cases. There are no good cases on Latvian small businesses

and this is recognised as a real deficiency in the programme. Tutors are being encouraged to develop cases from Latvian small businesses for future delivery. Video materials involving successful Russian entrepreneurs are also shown to participants. There is a need to develop similar materials in the Latvian context but resources currently do not allow this. There is no formalised manual reflecting the fact that the programme is being constantly developed in the light of feedback.

An open-learning manual has, however, been created aimed at helping participants, after they have signed up for the programme to start on level terms with basic concepts. This is to overcome problems, experienced in the past by participants beginning with very different levels of knowledge and experience. This problem has also been dealt with by segmenting the market more carefully in terms of experience levels. Separate programmes are now planned for start-up entrepreneurs and for those who have been in business for at least five years. Even so, there are still potentially wide differences in the knowledge sets of experienced entrepreneurs and the open-learning manual aims to reduce this gap.

4.2 *Content*

There are four modules (see Annex):

- General management;
- Marketing;
- Legislative environment for entrepreneurial activities;
- Financial accounting for entrepreneurs.

In addition, however, the programme also seeks, on an ongoing basis, to assist the internationalisation of the businesses. Entrepreneurs are encouraged to consider the implications of international competition and also to consider competing in overseas markets (particularly the European Union). To support this they are provided with potential contacts with the various international Chambers of Commerce (e.g. the Danish and British) as well as other sources of international business contact (e.g. Kompass databases).

The 'legislation' module is considered by participants to be one of the best in the programme. The legislative framework relating to small enterprise in Latvia is complex and can be a minefield for the entrepreneur as the law is not always consistently applied. The module provides an overview of the legal framework for enterprises and some of the most important recent changes in legislation. The module tutor is a practising business lawyer who is able to draw upon experience for some of his examples of how to cope with legislation and the implications for businesses when legislation is not followed. As there is an emphasis upon internationalisation (e.g. joint ventures and offshore companies) there is also a section in the module on how legislation relates to foreign investment in Latvia. This is the module of greatest interest to entrepreneurs and where they most seek the additional consultancy input.

The programme does not contain a module on business planning. The course team debated this at length but there is little faith placed in business plans in Latvian culture. The business plan is purely seen as a means of raising finance from banks (who are not really engaged with the SME sector in Latvia in terms of lending) and not as a tool for running the business. A follow up module in business planning will be provided in the future to former programme participants. At present a module is provided on financial accounting to provide tools to entrepreneurs to more effectively manage the financial aspects of their business. In Latvia, as in other parts of the world, many potentially viable small businesses fail due to entrepreneurs having inadequate financial information and monitoring systems that would provide early warnings of under-capitalisation and lack of cash flow. Planned new developments in this module will involve role-play of a business situation and practice in using financial information and monitoring systems to ensure that managerial action is taken in good time to tackle underlying problems.

4.3 *Location*

The programme is delivered at the RICEBA premises near the centre of Riga which have recently been totally renovated and refurbished. The school is effectively a self-financing business, and the fact that it started up and developed in this way helps to build its credibility with participants.

4.4 *Timing and pricing*

The course is delivered over two and a half months on two evenings a week and run three times a year. The price of the programme is approximately $230 (130 Lats). This is the average monthly salary in Latvia so it is not an insignificant amount. This covers all the direct costs of the programme and also makes a contribution to overheads. It has always been possible to run the programme at above the breakeven point. Demand is such that there is scope to raise the price a little. The participants pay the whole amount for the programme as there are no subsidies available at present in Latvia for small business training. There is an association for small business support in Latvia (the Latvian Association of Small and Medium Businesses) but this organisation does not provide financial assistance or training to small businesses.

4.5 *Evaluation, monitoring and follow-up*

In monitoring the programme there is a consistent search for more feedback from participants to enable continuous tailoring of the programme to needs. There is a strong preference for interactive training methods rather than the old didactic (or traditional academic) approach and tutors are encouraged to use new approaches. Latvian entrepreneurs find it very difficult to understand and therefore articulate their learning needs and therefore their expectations from the programme. There is an identified need in the culture to talk to entrepreneurs on a one-to-one basis as they are not willing to discuss their problems in group situations (mainly

for reasons of not wanting to lose face). This is where consultancy sessions become very important.

Participants are asked to complete an evaluation questionnaire at the end of the programme which assesses the quality of the training modules. There is currently, however, a search for ways of maintaining relationships with clients on the programme so that training and other inputs can be provided to them at a later date. The programme also needs to be evaluated at a later stage with the entrepreneurs to see how they have implemented change in their businesses as a result of what they have learned on the programme. It has, however, been possible to undertake training and learning needs analysis during the programme evaluation phase to assess what future programmes might be developed for the client group.

4.6 *Management*

The programme has a dedicated manager, Ella Kalnina who is responsible for ensuring that the programme is adequately resourced in terms of the right staff, good quality materials and training rooms. She is also responsible for monitoring the programme through regular feedback from participants. This is very much a small business situation. Ella has no substitute if she is ill. There are very few options, except to cancel, if tutors are not available.

5. *The future*

In terms of things to get right in the programme it is very important to find staff who have real experience of doing business and who are credible with clients. The aim is to transform the programme, making it less educational and more training focused. There is a need to train the trainers and to find more assistance to do this. A future aim is to attract more participants from other parts of Latvia apart from Riga, as it is clear that SME development is important for the economic development of country as a whole.

> *Twelve fresh graduates of the course were sitting around the table at the International Learning Centre celebrating the end of the course. Sipping champagne and laughing they were exchanging ideas about where they should place their certificates from RICEBA in the most visible place. Igor was playing a guitar and singing in a low voice. Then he said: "I am not going to sell pipes any more. I think I will start a concert agency and bring rock singers to concert tours in Latvia". Everybody laughed. "Don't be too ambitious and don't start with Madonna!". Igor was serious: "Why? I will survey the market first then..."*

Annex – Programme content

Module: **General Management**
12 hours

1. The essence of business

   Entrepreneurs vs managers – role, status and function
   Managerial types and role
   Management styles

2. Authority, delegation, decentralization

   Authority and its impact on the system of management
   Correlation between delegation of authority and responsibility.
   Principles and rules of effective delegation

3. Motivation

   Major theories of motivation
   Individual and group needs

4. Change management

   Necessity for change, planning techniques for change implementation
   Leaders role in the period of change
   Conflict solving

5. Personnel selection and recruitment

Module: **Financial Accounting for Entrepreneurs**
20 hours

1. Financial statements as a source of information

   Balance sheet, profit and loss statement, cash low statement
   Principles of drawing up financial accounts

2. Analysis and interpreting of financial accounts

   Characteristics of effective production
   Liquidity and financial stability ratios
   Dupon formula
   Stable growth. Financial analysis

3. A comprehensive example. Analysis and interpretation of financial statements.

4. Classification of costs

   Concept of a product cost
   Methods of cost calculations
   Introduction into direct costing

5. Cost management and price management

   Pricing
   Introduction into marginal analysis

6. Application of marginal analysis in solving practical examples

7. Cash statements and cash forecasts

8. Bank services for entrepreneurs

   Lending for small business
   How to write a business plan

Module: **Marketing**
20 hours

1. Socially responsible marketing

   The definition of marketing, its role in business success
   Customer needs and marketing environment
   Intensification of selling efforts v marketing
   Evolution of marketing

2. Marketing mix: Product and price

   Product and its constituent parts
   Product and market development grid
   Trade marks
   Market segmentation and product placement
   Pricing decisions

3. Marketing mix: promotion and placement

   Marketing communication system
   Advertising message
   Publicity
   Dealing

4. Marketing management

   Product life cycle and buyer behaviour
   Marketing plan and controlling

Module: Legal Environment for Entrepreneurial Activities in Latvia
20 hours

1. Legal environment for entrepreneurial activities in Latvia

   Commercial law
   Concept of entrepreneurial activities
   Application of international commercial law

2. Subjects of commercial law

   Legal entities and private individuals
   Definition of an entrepreneur
   Sole entrepreneur and companies
   Types of entrepreneurial activities in Latvia, Europe and USA

3. Legal environment for foreign investments in Latvia

   Foreign investors entrepreneurial activities in Latvia
   Guarantees for foreign investments
   Legal restrictions of investment
   Off-shore companies and status thereof
   Types of tax incentives and usage in international business
   Exempt companies, LLC. Restrictions in Latvia

4. Contract law

   Types of commercial contract, contract parties
   Validity of contracts
   Obligatory and non-obligatory terms of contracts
   Procedures for concluding an agreement
   Fulfilment of contracts
   Cessation and rights assignment

5. Purchase agreements and goods delivery agreements

   Parties of contracts, their rights and liabilities
   Particulars of goods delivery agreements
   Legal aspects of exclusive goods sale agreements: dealing, distribution , franchise
   INCOTERMS

6. Commercial brokerage (mediation)

   Types of agency
   Commission and consignation contracts
   Factoring

LATVIA

The participant company: *FIL UN KO*

The participating person: *SERGEY RIZHIKOV*

The company specialises in producing parts to customer specifications on a one-off basis and mainly exports to former Soviet Union countries. The Russian financial crisis which began in August 1998 has therefore caused major problems. Latvia used to export high volumes of fish to the Russian Federation. The financial crisis there has substantially reduced demand for fish and has adversely affected the fish-processing sector in Latvia, the main customer for Fil un Ko. This led to a decline in turnover and a realisation on the part of the owner-managers that they needed to consider new ideas and possible new directions for the business. This encouraged Sergey to seek out training programmes which would help him to do this and which would supplement his technical knowledge with business skills. Technical education in the former Soviet Union did not include management education.

On the personal recommendation of a former participant, Sergey decided to participate in the Entrepreneurs' Programme at the Riga International College of Economics and Business Administration (RICEBA) from January through to March 1999. His expectation of the programme was that he would gain new knowledge and ideas on how to do business in the uncertain Latvian environment. He also wanted the opportunity to see how other business people were coping with the new situation and what ideas and experiences they had. Not only was he looking for theoretical knowledge he was also looking for experience exchange. In particular he wanted ideas and suggestions as to how the business might diversify in a structured way. An attractive feature of the programme was that it was short and to the point and had a holistic approach which he believed would enable him to get an overview of the various aspects of the business. The programme was held in the evening so that he could get on with his business in the daytime and anything that was discussed during the programme he could consider implementing the very next day in the business.

Although Sergey felt that he didn't learn anything "new" from the programme he recognised that his thinking about the business had become more structured. Another benefit was that he was able to take comfort that the company diversification strategy was going in the right direction. He was seeking and getting, from the RICEBA tutors, validation of what he and the business partners were doing.

There were two main aspects to the diversification strategy. Firstly, the company began to offer Computer Aided Design specifications to customers. Rather than just using drawings which would take two or three days to produce they can now, on the same day, produce technical specifications on a computer. This has helped to improve their reputation with customers. They have also set up an assembly facility in Kaliningrad. One of the consequences of the Russian financial crisis has been the relative fall in Russian labour costs. It has thus become cheaper to produce goods in the Russian Federation. There are several advantages to using Kaliningrad as an assembly base. Firstly, it is an economic free zone which means that there are no import and export duties to be paid. Secondly, it is quite close to Latvia.

The RICEBA programme aimed to encourage participants to internationalise their business. The company is also now looking to the West for new markets and is undertaking promotional activities in Germany (where its products are much cheaper than German counterparts due to lower labour costs). There is an agent in Germany who assists in dealing with German importing procedures. The firm has also tried to export to markets such as Britain, but there are problems with the perception that Central and Eastern European companies are not quality producers. The company in fact imports raw materials from Germany, Sweden and Finland for finishing. Although it is keen to export, it is constrained by the fact that few of the current staff speak foreign languages.

Fil un Ko. is having more success in the Italian market. It is currently negotiating a partnership with an Italian company which wants a Latvian production facility for its products. The Italian partners will bring state-of-the-art electronic food processing production equipment. Sergey is hopeful that they will be able to train people who can maintain this equipment in Latvia, as Italian expertise is expensive and would involve time delays when equipment does not work. It is also intended that Fil un Ko. will provide spare parts for this equipment.

Sergey's main preoccupation now is to apply to his business the knowledge from the programme and to ensure that turnover is at least maintained at its present levels and that production costs are kept under control. This he hopes will provide the company with a good platform for growth. The owner-managers of the business hope to be able to develop a more structured management style in the future. At present they have to do everything – manage the finances, keep the production process moving, order the raw materials, deliver products to customers etc. Building a team is the next step.

Case 5 Poland

The programme: DEVELOPMENT OF SERVICES FOR SMEs

The provider: THE POLISH FOUNDATION FOR SME PROMOTION AND DEVELOPMENT

Introduction

The Polish Foundation for Small and Medium Enterprise Promotion and Development is a State Treasury Foundation responsible for the implementation of European Union (EU) programmes for the SME development. The Project "Development of services for the SMEs (foreign experts technical assistance)" was a programme implemented by the Foundation within the framework of the Phare Programme. The programme aims at the development of the SME sector in Poland. The programme is run by members of the KSU – the Polish SME Business Services Network support organisation.

1. Identifying the needs

Witold Kajszczak is a specialist within the Polish SME Foundation dealing with KSU. He is responsible for projects concerning the provision of training, advisory and financial services and for the development of the KSU System. He is also responsible for the implementation of projects within the Third Multiannual Programme for SMEs.

The aim of the specific SME Development Programme, which is the focus of this case, was the strengthening of metal sector companies in the Region of Zielona Góra by increasing their competitiveness. The concept arose from the discussions with the regional 'Employers Organisation of Entrepreneurs'. It was elaborated into a project by the Foundation, within the framework of the Support to Entrepreneurship in Poland Programme. The project was started in 1997 and lasted for a period of two years. Experts from Scotland and the Business Experts for Overseas (BESO) programme were involved. They provided the expertise for development of the training programmes for the companies involved.

The metal sector is an important part of the economy of the region particularly because it is close to the German border. It was felt that this sector should be assisted to improve its competitiveness for foreign trade, especially with German partners. The basic need was for strengthening the business relationship between the companies operating in the metal sector.

All of the companies were initially audited, and individual needs identified. The needs identified were then grouped into cost control, competitiveness, development and people development. These needs formed the target for the programme objectives.

2. *The customers*

The customers were metal companies in Zielona Góra Region who were members of the Employer's Organisation of Zielona Góra. The maximum size of company was 150 employees, the minimum was 3 people. Notwithstanding size, all of the companies were looking to increase foreign trade and investment and improve marketing strategies.

3. *Reaching the customer*

The marketing of the programme was conducted by the Employer's Organisation. They invited selected companies to take part and provided information on the back-up that would be available. The message was that of selling the opportunity to develop the business and reach new markets. The recommendation of the Employer's Organisation and the emphasis upon new development opportunities were key factors in recruitment.

4. *The programme*

There were two objectives. The first one was the development of SMEs in the metal sector by means of an increase in managerial qualifications and technological expertise. The second was to enhance the knowledge and abilities of Polish local consultants through their active participation in the consultancy process in the companies in the region. The expected outcomes were the creation of business links among the companies for purposes of intertrading and exchange of information and improvement of competitiveness with regard to foreign trading. It was hoped that local experts would, as a result of the experience, be better at identifying companies' needs, servicing them and promoting the development of the region, thus making a greater impact on regional development strategies.

4.1 *The training approach*

The teaching approach focused upon providing short inputs on theory and practice followed by the opportunity for implementation in solving problems and identifying solutions. This approach was used both in open and in-company seminars. The consultants provided follow-up advice.

Training materials were prepared for the identification of needs of the companies and also provided information on key issues discussed in the seminars. The needs of the companies on the programme were used as case studies.

4.2 *Content*

The programme focused upon the needs analyses of the companies and the training needs of their staff, as noted above. Study tours were organised in Zielona Góra Region and the neighbouring German region. The final study tour was organised in Scotland to learn about development strategies and the experiences of similar companies in that region. The balance between the formal input of training in the classroom and practical issues was 50/50.

4.3 *Location*

The whole programme (aside from the study tours) took place in the Region of Zielona Góra where the companies and the Employer's Organisation were located. This facilitated follow-up, co-operation and experience exchange.

4.4 *Timing and price*

The total length of the programme was two years. The main business development inputs and activities were provided in the first eighteen months with the remaining period devoted to reporting and study visits. The timing was organised to coincide with the visits of foreign consultants. These took place every quarter and were of 7 or 8 days duration. The total input was therefore around 50 days.

The companies paid 10% of the total amount of the contract. Phare covered the remaining costs. The remuneration of foreign experts was financed separately.

4.5 *Evaluation, monitoring and follow-up*

During the project, evaluation reports based on questionnaires were prepared every quarter by the local Employer's Organisation in conjunction with the consultants. The reports also served to identify target activities for the next period. The final evaluation of the project has yet to be undertaken but will seek to identify firm benefits to the companies including measurable outputs. These will be conducted by interviews with the companies. Final evaluation will be made within two weeks after completion of the final study tour to Scotland at the end of 1999.

The Employer's Organisation has taken a leading role in the programme through the recruitment of the companies and co-ordination of the project locally. Members of the Employer's Organisation also acted as the advisors to the companies. Thus the lessons of the project can be disseminated through the KSU network to other regions as an example of good practice.

4.6 *Management*

The management of the programme was undertaken by the local co-ordinator of the Employer's Organisation on a full-time basis. It was of key importance to schedule the consulting visits to the availability of key representatives of the companies. The other major tasks were to organise seminars and meetings, prepare materials, undertake general administration and liaise with the Foundation.

5. *The future*

The future is uncertain due to doubts as to the availability of foreign funding upon which the programme is dependent.

POLAND

The participant company: *ZAKLAD PRODUKEJI METALOWEJ (DECMET)*

The participating persons: *OWNER-MANAGER AND TEAM*

DECMET was set up 11 years ago. It is a small company with 25 employees in the metal manufacturing industry. It makes rehabilitation equipment, training equipment, enclosure systems – gates, fences, and accessories – security systems and other metal products. Its customers are fitness clubs, sport halls, pubs, individual customers and other companies. It sells to the Polish regions of Zachodnio-Pomorskie, Lubuskie, Wielkopolskie, Dolnoslaskie Voivodships and also to Germany.

It is still growing in employment and assets and is developing new products including new types of fitness equipment, new materials, designs and development. It started as a micro company with two owners producing two types of safety locks for the army, fire brigade and rescue brigades. In 1990 the company was divided up and DECMET became the producer of the fitness equipment and one type of lock (covering a limited range). In 1995 the fitness equipment became the main product. It was initially based upon German and Italian designs but now the designs are their own. In 1996 the product range of enclosure systems was also enlarged.

There are few other producers of fitness equipment in Poland. Those that do exist make very simple products of a low technological nature. Foreign companies offer products of very good design and high quality but also have very high prices. Demand is growing. There is an increase in the number of fitness clubs and in the needs of the schools and rehabilitation centres. Demand is, however, for equipment of high quality, modern design and at low price. The main problem is that reduced access to external sources of financing (credits are expensive) place limits on the potential for investment. The main source of investment funds is income. Such a situation demands a focus upon reduction of costs of materials, increases in utilisation of the machinery and better marketing. The main external problems are too high taxes, a lack of credit policy for SMEs and the absence of harmonisation of Polish and EU laws relating to quality.

A further problem is that of cooperation with subcontractors who tend to have low quality, high costs and problems with delivering on time. This means that the company has had to build its own capacity and reduce the range of subcontracting (for example, plastic components, spare parts and varnishing).

The programme focused upon the owner of the company who was looking for a new appraisal of the way the business was run. The company had confidence in cooperation with the Employers' Organisation of Zielona, Gora (and had frequently used it previously) and in the foreign expert who specialised in the metal sector and had experience both of Polish and foreign markets.

The process of the programme also appealed to the company. There was opportunity to discuss the needs of participants with the consultants. The role and qualifications of the consultants were precisely described and all the companies participating in the project were carefully selected. The subsidised price was very attractive. Ample time was given to prepare for organisation of the group seminars (one in each company) and for individual work with the consultant. The programme was designed to provide maximum input into improvement of individual needs and the future direction of the business development. The owner could work on the issue that was the most important to him/her. The seminars provided a general overview on all aspects of quality management (TQM), market development strategies and costing. As a result the owner could take a 'fresh look' at the company, its organisation, its management and the scope for improvement. At the same time there was improvement in personal contacts, development of personal friendship with some of the participants and opportunity to discuss common problems and areas of interest and potential cooperation.

The programme enabled closer links to be established with other companies, areas for further cooperation to be defined and subcontracting opportunities to be identified. Company actions taken as a result of the programme included changes in the technological process, a shortening of the time and number of single operations on the production line, a clarification of the role and tasks of the workers responsible for quality control and the certification process. The key tasks for the managers at each level were described leading to an improvement in the management system. For the owner himself, the key outcomes were better understanding of the necessity to delegate tasks and responsibilities, the need for planning of development based on quality, and the introduction to new foreign markets. Overall, therefore, the programme with its emphasis upon improvement of quality control and of management systems broadly fulfilled the needs of the company and, in particular, provided ideas for further development especially at the middle management level.

POLAND

The participant company: *FIRMA H. SYPNIEWSKI*

The participating person: *HENRYK SYPNIEWSKI*

The company was set up 12 years ago and in 1999 had 30 employees. It is in the metal and plastic manufacturing industry, the key products being switchboards, cable connections and metal and plastic covers. The major customers are in the power engineering industry with both regional and national markets. The company is still growing. Among its new products are switchboards for lines controlled by computer systems.

The firm started as a micro company producing metal covers and simple switchboards for individual customers. In the early 90s it started to produce plastic elements for the switchboards and plastic covers. In the mid-90s it moved to producing switchboards for industrial consumers. Its aim in 1999 is to increase the quality of the switchboards and cable connections, reduce the costs and be ready for export to the Russian, Ukranian and Slovak markets. There are few producers in Poland of switchboards of such a modern design, high technology and quality. Foreign producers (Germany, Denmark, France) sell products of comparable quality and design but at higher prices. With the growth of the Polish economy there is an increase in demand for products of very high quality, modern design and high technological capacity. The company's main problems in responding to demand relate to access to the external sources of financing.

The main source of investment funds is internally generated revenue. Such a situation demands the continuous reduction of costs of production, logistics improvement, marketing and improvement of the products in order to be competitive with western companies. The general problems relate to high taxes, the lack of credit policy for SMEs and lack of harmonisation of the Polish and EU laws. Specific problems concern the logistics of working between the two divisions (Zielona Gora and Przylep) at the distance of 20 kms from each other. This requires very precise organisation of transport of components.

Henryk Sypniewski was the main participant in the programme. He is an electrical engineer with higher technical education. He is the owner of the company which is a family business. There is a small management team and a board of directors with a certain level of competence, but final decisions are made by the owner. Henryk was searching for a 'new look' for the business and wanted advice on business, management and cost improvement.

The programme addressed the needs of the company. It focused upon cost reduction, the organisation of production, logistics and upon increasing profitability.

The programme began with an analysis of the company, its current situation, and its plans for development. It was very well organised. It allowed time to prepare for the visits of the consultant, for 'homework' to be done, for the arrangement of in-company group seminars (one in each company) and for individual work with consultants. This was the opportunity to link personal development with company development. Each participant worked with consultants on the most important problem for the company. The seminars provided a general overview of all aspects of quality management (TQM), marketing strategies and cost control.

The whole process enabled the improvement of personal contacts, the building of friendship with some of the participants, the sharing of problems and of areas of mutual interest and potential cooperation, and active participation in the study tour organisation. As a result the environment of the managers of the metal sector companies become more consolidated, closer links were created, and opportunities for further cooperation and subcontracting become known.

Within the company, cost centres were more precisely defined and analysed and it was possible to make reductions in the costs of work and materials, to reduce the time for several operations during the process of setting-up and to improve transport between the two divisions. Analyses of foreign markets were made, supported by the detailed analysis of the products to be exported in comparison to the products of other producers, and an outline export strategy was defined. Overall the company set up a system of involvement of workers in the process of planning and organising the process of production. This reflected the development of understanding of the necessity of delegating tasks and responsibilities aimed at smoothing out management of particular areas of company activity.

Overall, the key parts of the programme, from the company viewpoint, were:

- *the audit of the company and the participation of the managers in this with support of Employers Organisation consultants;*
- *the deeper knowledge acquired of the metal sector, the Polish environment and the market through the external consultants;*
- *the careful selection of participant companies and managers open to an external point of view;*
- *the matching of the level of development of the companies included and the stage of development achieved, the focus on improving management systems, delegation and key competencies, the involvement in the process of planning, implementation and evaluation of the training.*

Case 6 Romania

The programme: GROWTH BY MARKET EXPANSION

The provider: THE TRANSYLVANIA GROWTH GROUP (TGG)

Introduction

In 1977 a project supported by external funding aimed to enhance SME sector development in Romania by increasing the quality and outreach of business development services. It developed a set of consultancy products to be used by the Romanian Business Advisory Centres (BACs) in growth and restructuring programmes. It also reinforced networking among the BACs, thus enhancing the support structure for SMEs.

The growth programme grew out of this project with a strong focus, important to all ex-command economies, upon marketing in a competitive environment. The programme, 'SME Growth by Market Expansion' focuses upon assisting companies to penetrate new markets and increase sales.

The initiators of the growth programme are consultants from four business centres which were created in the mid 1990s to support privatisation and SME development. They joined in a consortium called Transylvania Growth Group (TGG) with the aim of developing common programmes for their clients. They discovered shared common client needs. The four regions they cover have similar levels of economic development and cultural background.

1. Identifying the needs

The programme concept was developed in 1997 when SME growth seemed possible. The years 1995 and 1996 had been very good years for Romanian small businesses. Unfortunately the economic environment has since became much more hostile. Taxes have risen and many large enterprises do not pay their debts to the state. This has increased pressure upon SMEs who produce half of the turnover of the private sector, but are the only source for taxes. In 1998, 80% of Romanian SMEs had serious cash flow problems. Growth has become a dream and the 'word of the day' is 'survival'. The programme has helped entrepreneurs to face up to these changes. It aims to increase the comfort and confidence of business owner-managers by reducing uncertainties through a new market approach and enables them to share their experiences with other managers in the same situation.

The needs analysis performed by the group of consulting centres in 1996 revealed that more than half of Romanian businesses suffered from a lack of marketing knowledge and market information. The existing marketing training offer was perceived as poor in terms of dealing with practical issues. The communication between business people in non-direct contractual terms through, for example, clubs and meetings, was almost nil.

2. *The customers*

The programme has been designed for SMEs in the early stage of growth, when the owner-manager still has a central role both in the planning of growth and in the implementation of the plan. It is therefore focused upon SMEs with less than 30 employees. To participate in the programme enterprises have to meet the following conditions:

- be well managed - meaning that the manager is successful as an individual and is a visionary;
- be successful at selling its own products/services and having at least a 2 year track record;
- wants to grow, not diversify - meaning that it wishes to focus upon the existing business (this condition has been altered to 'diversifying into a related business');
- aims at new markets - meaning it wants to sell existing products/services to new clients in another geographical area, domestic or foreign (this condition has also been altered to 'selling new products to the existing market').

The ideal customer profile is of an owner manager, young and open to change and self-improvement.

3. *Reaching the customer*

The consultants identified the customer group by exploring among their former clients and friends those with similar problems yet still taking an intuitive business approach and lacking in communication with fellow business people. The scheme was initially piloted by two groups of entrepreneurs totalling 13 people. Most joined the programme because they believed a more systematic approach would be beneficial to their business. The entrepreneurs are drawn from the four towns in Transylvania where the consultants were located. They were thus in a position to exchange information about local markets, about political influences and fiscal regulatory bodies. The drawback was they had to travel to join the workshops.

4. *The programme*

The programme is designed to assist the companies in reducing the commercial risk of entering into a new market. The aim is to help participants develop a set of tools to support market expansion. These include a marketing plan and market entry and market research procedures. The focus is upon the personal development of the owner manager by firstly, developing skills and knowledge in structured approaches to marketing and planning and the analysis and use of market information; and secondly by increasing the owner-manager's confidence in his/her abilities by the sharing of experiences with fellow entrepreneurs. The stages of the programme are set out in the Programme Plan below.

Table 7: Programme plan

Action		Output	Timing
Workshops	**Counselling & Assistance (C&A)**		
Introductory		Client list	1 day
	C&A Audit	SWOT analysis, needs statement	2 weeks
Growth plan		Growth plan frame	1 day
	C&A assisted preparation of growth plan	Growth plan	1 week
Marketing plan		Marketing plan framework	1 day
Market research		Information gathering and analysing	2 days
	C&A monitored market research	Relevant information about the target market gathered	1 week
Practical steps for a new market entry – domestic		List of tasks to be followed	1 day
Practical steps for a new market entry – foreign		List of tasks to be followed	1 day
C&A marketing plan preparation (assisted)		Marketing plan prepared, including the market entry procedure	2 weeks
Programme review and group		Programme feedback	1 day

4.1 The training approach

The programme is staffed by consultants from the centres with experience of and training in marketing. Each participant business is provided with a consultant who is responsible for the smooth running of the project. The programme has several innovations. Firstly, it combines workshops on common topics, in a mixed group, with in-house individual work of the trainee assisted by the consultant. Secondly, the growth areas to be studied are decided by the participants. Thirdly, the programme has been developed by a consortium, thus enabling the

pooling of experience from different locations. During the common workshops, each participant applies the new knowledge gained to his/her own case. There are thus 8-10 parallel case studies in the classroom. The programme is, overall, very flexible and easily adapted to each participant's needs thus maximising ownership.

4.2 *Trainers*

The consultants are also the trainers in the programme. Each is able to cover all topics. The training style is highly interactive. Trainers aim to facilitate dialogue within the classroom, give each participant the opportunity to present his/her example and also keep a balance between the inputs of participants. Where trainers/consultants are involved only in certain parts of the programme, effective communication between them ensures continuity and problem focus.

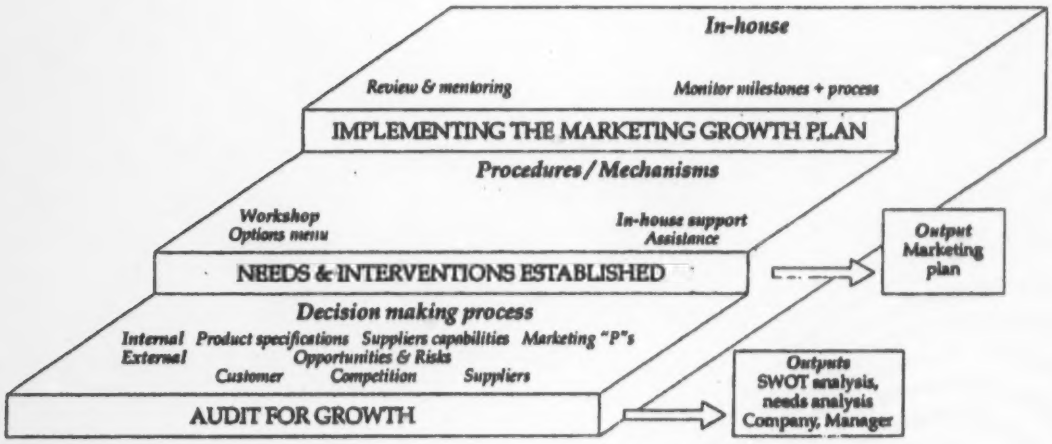
4.3 *Content*

The programme is designed as a step by step process (an 'escalator' model) having on the first stair the business in its present state and at the end a business which has grown due to the new market entry.

Each step in the process is aligned with each phase of the programme. In all there are 6 workshops each involving the completion of key tasks between inputs. The workshops are one-day duration and the gap between workshops is 2-3 weeks, agreed with the clients to allow time for implementation. The first stage is the Initial Audit, evaluating the state of the business and its capacity to grow. The audit produces an analysis of Strengths, Weaknesses, Opportunities and Threats of the business in respect of its capacity to grow in the environment. The second stage is that of 'Growth Planning'. Each participant defines growth in the term of his/her own business. Growth may mean an increase in the number of clients, employees, sales volume, or profits. The growth parameters fixed during this workshop will be monitored during the programme and the follow up. The third stage is that of preparing the Marketing Plan.

To complete this stage the owner-manager must attend the workshops 'Marketing Plan', 'Marketing Research' and 'Entering a new Market'. Between these workshops the owner, assisted by the consultant, gathers data and completes his/her own marketing plan. By the end of the programme the entrepreneur has the SWOT analysis, growth objectives and a marketing plan in a written form. The latter contains the objectives, the action plan, the budget and the schedule for entering the new market. Participants are given a personal handout at each workshop, consisting of copies of slides and notes together with sections involving exercises for them to complete with their own company.

Table 8: The growth escalator



4.4 *Timing and pricing*

Programme workshops are organised over 3 months. This seems a reasonable period to allow marketing planning and data gathering about a new market to be completed without losing major business opportunities. Follow-up meetings are scheduled after 6 and 12 months. The first programme took place between mid-April and mid-July 1998. The second programme took place between mid-September and mid-December 1998.

Participants pay an enrolment fee linked to the initial audit (calculated as one consultant day) and then the cost of the six workshop days. When calculating the price, the consultants take into account both marketing costs and the costs of Introductory Workshops. Each participant pays on a one-to-one basis, relating to the input from the consultant in the preparation of the marketing plan, and the marketing research, etc. This approach brought an element of flexibility to the scheme. It is important to note that it is the manger who does the 'homework'. The consultant only provides support if asked. Depending on the man-day charges and the cost of rented facilities (if any), the programme breaks even at 6-8 participants.

4.5 *Evaluation, monitoring and follow-up*

There is an evaluation at the end of each programme. The ultimate aim is to follow up after a period of 6-12 months. The parameters for follow-up are those established by each owner-manager for his/her own business in relation to the growth objectives. The most difficult issue is that of separating the effects of the programme from the strong influences of the business environment. From the evidence so far it would appear that the programme is sustainable in an environment supporting business growth.

Some problems have, however, been identified and some lessons learned.

The first is that of attendance. Although there are relatively few workshops and they are held on Saturdays, some of the owner-managers did not attend all sessions. This meant that the consultants' involvement was longer than initially agreed with participants because in-house assistance had to cover the workshop topics in order to overcome the problem of absence. It was also discovered that having competitors in the same room means naturally that their willingness to reveal data is low. This situation should therefore be avoided. Finally it is clear that the length of the programme should not exceed two months as companies may begin to lose market opportunities and some of the advantages of a step-by-step approach with its focus upon action of both consultant and manager is lost. There have nevertheless been practical results. In particular, the marketing plan developed during the programme has turned out to be a tangible tool which increases the confidence of the manager in his skills and abilities and enables the beneficiary company to take a more structured approach to business and to monitoring each step.

5. *The future*

Developing the programme in the future represents a challenge, no small part of which relates to the future of the consulting industry in Romania. Romanian business consultants are young, sometimes younger than their customers, and it is a tremendous challenge to prove that useful advice can come from relative youngsters educated by foreign universities and training organisations. Such a consultant is the contributor to this case. Silvia Pop is in her late 30s and since 1992 has studied and worked in business consulting and training. She is in the final stage of an MBA degree by distance learning. She represents the future of this kind of business.

ROMANIA

The participant company: *UNISOFT*

The participating person: *CARMEN SUCEAVA*

Unisoft was founded in 1991 by two software developers, both of whom were previously employees of large state organisations. Unisoft has 6 employees, and is managed as an informal collective. It is situated in the small town of Reghin and trades in the counties of Muros, Brasov, Alba and Bisitrita with a range of products. These include own brand accounting software aimed at the accountants market, services to complete hardware and software for companies of all sizes and individuals, and the trading of computers, computer peripherals and parts and software, to accountants, companies and individuals.

Unisoft has seen considerable overall growth in sales in the last three years, but in 1997 came to believe that continued success lay in generating new sales by expansion into other geographic regions of Romania.

Romania presents a hostile environment for the successful establishment of private enterprise and SMEs. The Romanian economy was devastated by mismanagement throughout the communist era: and the subsequent privatisation of large state enterprises has been accompanied by substantial corruption. While a considerable proportion of the population has higher level technical and engineering education and qualifications, business and management training is barely established. Inflation is currently (end 1999) running at a historically low level of 40% per annum. There is a punitive tax regime and a primitive industrial and commercial infrastructure.

It is against this backdrop that Unisoft has developed. It did not and still does not have strong local competition, though there are a number of locally based and national companies offering various combinations of weaker products and services. The company has traditionally relied upon sales of both software and subsequent service contracts being generated by personal referral between local authorised accountants. Unisoft had almost 25% of these as clients by 1997. It became concerned that this market was nearing saturation. In addition, the company lacked in-house marketing experience to launch its subsequent expansion strategy.

Carmen Suceava is currently marketing manager of Unisoft, Reghin. As such she is in charge of market research, promotion and marketing planning. She is married to one of the two owners of Unisoft. Her first degree was in Manufacturing and Knitting Engineering (1986), consolidated by further study in Manufacturing Process Management (1987). She has subsequently completed two Open University (UK) programmes – the Certificate and Diploma in Management.

Before joining Unisoft she was the owner-manager of a small knitting company producing "designer" knitted garments for men, women and children. This was profitable for a number of years, only to fail when massively undercut by imports from Germany of second-hand woollen garments. Before setting up her own company she was a textile engineer supervising manufacturing and knitting production. She had experience in liasing with foreign customers. She also taught Textile Technology at the local high school.

Carmen has a strong personal commitment to Unisoft through interest and marriage, and is determined to make the company, her second venture in running an SME, a success. She has pursued formal training, and now has plans to self-fund MBA studies. She has found it difficult to apply previous, somewhat theoretical, management training to her work situations and so, in the face of personal anxiety regarding the receptivity of her colleagues at Unisoft, was looking for both practical "tools" and external support in her use of these within the company. Learning and training at Unisoft was (and still is) based on informal exchange (within a group of professionally qualified enthusiasts) of technical information gleaned from trade literature and industry contacts. None of Carmen's colleagues seemed interested in additional business/management training, whether formal or informal.

The growth programme offer, and in particular the focus on marketing, was attractive to Carmen as an opportunity for her to promote the development of a marketing position at Unisoft and to strengthen her personal credibility in this role. The company's interest was based on the strong local reputation of the Business Foundation Muros; the price – which at around $200 was well below a "comfort" threshold of $500. Other programme features seem to have been either not apparent in the offer, or relatively unimportant in influencing the decision.

While the degree of customisation was not apparent in the programme offer, the initial company audit and subsequent on-site counselling/advice enabled considerable customisation through a focus during workshops on (shared) company problems. Carmen valued most this sharing of, and working on, common business problems and was disappointed that this activity was not promoted beyond the finish of the programme. She attributed this to a "macho" business culture leading to a reluctance to value informal learning with peers. In addition, the programme did not provide for continuing support to the implementation of plans, and in retrospect she has come to see such support as vital to sustaining operational confidence by offering the opportunity to "benchmark" her ideas and outcomes with an experienced outsider.

Carmen did develop a marketing plan that was accepted by Unisoft. Not only did the plan itself represent a considerable shift in the company's strategy for growth, but also it was quite different to the declared focus of the programme. This outcome is a strong indicator of the responsiveness of the programme. Implementation of the plan is being spread over 1998-2000.

Unisoft had anticipated that the programme would enable plans to be constructed for its expansion. The market research early in the programme suggested, however, that projections for increased sales were over-optimistic. In one region, for example, only two potential new accountancy clients were identified against a target of twenty. In addition, attempts to establish local agents were unsuccessful. Meanwhile, sales of other parts of the company's portfolio were growing strongly within the existing local market, and Unisoft's staff found themselves fully committed to servicing this activity with no space to work further afield.

In the event the programme enabled Unisoft to realistically reassess the value of its plans and arrive at a significant reorientation. This was that growth was desirable, but that the mechanism for this should be to diversify existing activity and services within the established, local, trading region.

These plans for diversification now include:

- *Develop the trading activity – this has been a productive choice.*
- *Innovate community-based Internet centres aimed at school children and young people – a centre in TG. Muros is planned to open in year 2000.*
- *Train new companies, in particular SMEs – Unisoft's activity in this area is still very small scale.*

Meanwhile sales of the accountancy package and service contracts have remained strong. It is expected that the financial performance of the company will improve. Unisoft would not make any profit in 1999, but moderate profits of $5-10 000 are forecast for the coming year. These figures should be taken with a considerable pinch of salt – the punitive tax regime discourages the declaration of significant company profits.

Case 7 Russian Federation

The programme: STATE COMPANY RESTRUCTURING TO DEVELOP GROWING SMALL BUSINESSES – AN 'IN-HOUSE' PROGRAMME

The provider: ZEIM plc (holding company of Prompribor Industrial Association)

Introduction

ZEIM plc is a holding company for a former medium-large state owned industrial association (Prompribor) located in Cheboksary in Chuvash, an autonomous republic of the Russian Federation. The company currently employs some 3,000 people but has spun off over 20 small businesses over the decade 1989-1999 as a key part of a process of restructuring. These new small businesses vary in ownership structure from being almost wholly owned subsidiaries to almost wholly independent owner-managed firms. These companies have emerged from the original state electronics and mechanics plant. In 1989, Prompribor, as it then was, had, as its main business, the production of electrical power components. It was, nevertheless, also producing a wide range of other services and products which had grown over time. There reflected the failures of the old Soviet system in guaranteeing supplies (forcing the company to produce components and develop services itself) as well as the opportunities that had arisen for product/process diversification.

As with very many large state companies in the former Soviet Union, the Pompribor Industrial Association in 1989 was faced with some major challenges.

1. Identifying the needs

Stanislav Lyapunov, its Director, recognised that there was a need to take radical action if the company's output and employment was to be maintained in the transition period ahead. The major problems faced were a situation of chronic over-manning in the company (he estimated that the company could produce the same output with one third less of the staff), under-utilisation of capacity in many areas of the business process, cyclical over-capacity in certain processes/component manufacturers that had been added to the business over time, a culture of dependency rather than entrepreneurship in the company – a reflection of the old system, and an associated absence of the notion of customer orientation. In addition there were problems facing the firm common to all others in the transition process in former Soviet Russia at the time, namely the mode of the business operation itself. The company as constituted in 1989 was a broad social organisation embracing services to the employees such as medical treatment, shops, accommodation, holiday facilities, food stores and a farm. The company was also operating in a hostile environment where traditional exchange relationships were breaking down but no new forms of exchange had properly emerged. The interchange between companies was done by barter and there was no possibility for reliance upon the banking system for credits either for working or investment capital.

Stanislav recognised that even before privatisation he should begin the restructuring of the company. He recognised that the central way achieving this was to radically review each component part of the company to determine its potential for independent market development and therefore growth, job creation and survival. The company was therefore appraised in terms of the ability of each of its internal 'services', component production, products and processes to stand alone as independent businesses. These could be developed, as wholly owned subsidiaries of the core company, profit centres or made completely or substantially independent. As a result of this process, it was hoped that a number of growth businesses could be created, capable of standing alone from the parent company and of generating employment.

The basic needs to be addressed in the process included the development of democracy in management, the benchmarking of the company against others with whom it might need to compete internationally, the creation of a philosophy of entrepreneurship, the change of the motivation of managers and staff, a focus upon a process of market development, the development of an orientation towards wider stakeholders, and the creation of profit centres and centres of financial responsibility.

2. *The customers*

The customers for the programme were the heads of the different departments and processes and their management teams and staff. The aim was to approach training on a problem-solving project development team basis. Teams involved also trade union representatives and workers. These teams might ultimately become the management teams of new subsidiaries or semi-independent businesses.

3. *Reaching the customer*

There was no problem in finding the customers for the programmes. These were the staff and management of the company. The problem was one of careful selection of future management heads, the selection of the appropriate members of the team and the designation of their proper responsibility. The key agent in reaching the customer was therefore the managing director of the emergent holding company ZEIM, Stanislav Lyapunov.

4. *The programme*

In-company training programmes began simultaneously with organisation changes taking place focused upon the restructuring process. The radical changes could not be realised by people with old skills and knowledge. There was therefore a need to involve external consultants. The programme began with Mr. S. Khainish, Director of the Managerial Consulting Centre of the Moscow Research Institute for Management Problems. In December 1992 a group of 32 company employees participated in the one-week outdoor activity focused upon defining the strategy of the company development. The first seminar involved

departments and potential small company managers. In March 1993 another course was conducted for the medium company/department managers.

The programme moved on in June 1995 to a seminar on client oriented changes at ZEIM. This again was held under the leadership of Mr. S. Khainish. Participants developed a strategic mission for the company as follows: "ZEIM plc is about strategic thinking, constant changes and client orientation".

Major consideration was given to bringing out the project/strategies to all employees. Participants of the training courses were therefore given the task to transfer received knowledge to their colleagues.

Raising the qualification of company employees was not, however, turned into an in-company training system immediately. Separate components formed the system gradually. Over time, however, the company adopted a process of using internal consultants for in-company training. These 'consultants' combined their main functions as managers or specialists with the function of internal consultancy and took an active role in technology and personnel development, i.e. forming the mission and strategy of the company, new methods of personnel motivation, etc.

The programme followed the stages in Table 9.

Table 9: Stages of training

Stages of training	Participants	Objectives of training
Stage I – Preparation of company – restructuring	Managers from all levels and active production workers	▪ Developments of democracy in the management ▪ The philosophies of entrepreneurship ▪ Changing of labour motivation and property motivation
Stage II – The initial period of Prompribor Production Association downsizing when small companies were set up and there was a need to train the people to work and manage under the new conditions	Potential small company managers from the chief company.	▪ Marketing ▪ Taxation ▪ Labour motivation ▪ Privatisation
Stage III – Mature period of restructuring	Managers from all levels of the chief company. Active organisation of self management (the Leasing Council of the shops were switched to leasing relationships), managers of small companies	▪ Finance and marketing ▪ The company development strategy ▪ The joint stock company management ▪ Functioning of profit centres and centres of financial responsibility ▪ Market economic management

4.1 *The training approach*

The company's training system focuses upon the process of transition from 'problem' to project implementation. In contrast to the traditional form of presenting training material as lectures, 'round tables' are organised for solution of urgent matters and 'brain storm' methods are employed. Participants work in groups together with top managers and experienced specialists to ensure quick progress in practice. The personal initiative of an employee and the practical support of the manager provide an opportunity to realise innovative projects. The group work also provides a mechanism for the circulation of practical experience among colleagues and employees.

Among the approaches used are:

- Sending specialists to external education institutions (the Academy of the National Economy of the Russian Government, the Chuvash State University, the Altex-Reengineering Training and Consulting Company etc.
- In-Company Group Training including:
  - solution of particular problems by brainstorming;
  - round tables;
  - business games;
  - training seminars;
  - psychological training;
  - distance learning via the internal computer network.
- Individual in-company training including:
  - independent work with literature;
  - individual work focused upon mastering of a new job/raising the qualification (including training supervised by a tutor).
- Participation of specialists in projects such as:
  - in-company projects;
  - joint projects with external organisations.
- Cooperation with higher schools and other education institutions, embracing:
  - traineeships in foreign companies;
  - innovative projects of students, developed around real problems of the company.

The choice of the programme and the subject of training is determined both by current and prospective needs. The need to generate new products, for example, in turn generates the need to organise training for tool makers who, during the production of prototypes, simultaneously

realise their need to improve their qualifications. The need to update methods of management accounting, including the transition to international accounting standards, is the basis for implementation of the programme of training for specialists of financial departments of the company as well as the managers and economists of other departments. Overall the need to respond quickly to the quality problems of product development, predetermine training needs of technicians and production workers both in the fundamentals of international quality standards (ISO 9001) and improvement of skills in certain specific operations.

Planning and determination of the subject of training is thus derived from the company strategy and objectives set out in the corporate business plan. When developing the training programmes the demands of the departments and spin-offs are taken into account. Only the manager can be aware of the needs of his/her personnel. Employee-based qualification is not always enough to achieve the objective, and it is the gap between individual and company need that determines the subject, form and method of training.

4.2 *Content*

As indicated above, this is flexible but in general focuses upon:

1. training the personnel in two main directions: linking qualification with business needs, and reducing the psychological tension of constantly changing demands;
2. transforming knowledge into the tool of practical performance;
3. group training to ensure full exploration of each participant's capabilities under equal conditions;
4. building specialists from different fields into the teams to eliminate barriers between employees and their departments;
5. a process during training of continuous transfer to the working place. The aim is to eliminate the difference between performance and training.

4.3 *Location*

Most of the training is in-house, located in the company's own training rooms which are fully equipped.

4.4 *Timing and pricing*

Programmes are arranged flexibly around a timetable related to particular company problems and project development. The costs and therefore the prices to managers of subsidiaries and independent spin off companies are built into the development restructuring programme of ZEIM.

4.5 *Evaluation, monitoring and follow-up*

The programme has focused upon the restructuring process over time. It can therefore be evaluated against the kind of changes that have taken place. These include:

- budgeting and business planning introduced in all the departments;
- client orientation becoming the rule of most employees. A wage system dependent upon product/sales volume is now understandable and acceptable to all employees;
- company employees are independently seeking and making proposals to raise their qualification;
- projects arising from 'round tables' and seminars focused on the solution of certain problems. These include the creation of a common database on Prompribor customers, the development of agent and dealer networks and the training of bottom-level managers;
- the breeding of greater loyalty to the company interests on the part of the employees and a reduction in the turnover of qualified personnel;
- overcoming unwillingness and inability on the part of employees to consider a specialist's opinion on particular spheres of activity;
- positive changes in the moral and psychological climate in various departments, overcoming the negative features resulting from formerly highly-directive managerial methods;
- overcoming subjectivity in the relationships between employees thus helping department managers to form creative collectives. For example, after the seminar held by Moscow consultants in January 1997 creative groups were formed with managers and specialists from different departments and subsidiaries, working on business planning, the financial mechanism and personnel development. The objective was to create a friendly atmosphere in support of creativeness;
- many ordinary employees have become managers of businesses – as spin off subsidiaries, independent companies and profit centres. They work like any other company manager;
- managers have stopped being a cog in a complicated mechanism, where they played a certain narrow role.

Overall, linked with the restructuring training the company has created over 20 'new' companies, all but one of which have survived. Several have grown considerably.

RUSSIAN FEDERATION

The participant company: *MALBAR*

The participating persons: *CHIEF EXECUTIVE, ILLYIN KOUSTANTINOVICH AND TEAM*

The company is a closed share holding company. It currently produces gas equipment, used for automation of the regional and industrial power stations, and boiler-houses. The customer can be supplied with separate elements of the products produced, and the complete assembly can be carried out as well. The product range covers several types of product, including gas equipment blocks, quick-acting gas valves, regulating lids, gas electro-fuses, and valves for manometers.

The company designs and produces 'custom-made', not standard, equipment by robotic techniques. It employs up-to-date technological production processes covering mechanical machining of metal by cutting, pressing, semi-automotive and manual welding of construction metals and parts, the contact-welding of machine parts and units made from thin material, thermal processing, electro installation operations, assembly technologies and hydraulic and pneumatic testing of products.

The customers are local and national. The company supplies regional energy systems and boiler houses of local plants as well as the energy systems of the following Russian cities: Volgograd, Voronezh, Ekaterinburg, Kazan, Kirov, Kstovo, Moscow, Nizhniy Novgorod, Samara, St. Petersburg, Surgut, Syzran, Toliatti and Tumen.

The company was set up in 1992. In its first year its sales volume was 7.9 thousand roubles. In 1998 its sales volume was 3.6 mn roubles. It currently employs 52 persons. The company was originally a department of the Prompribor plant responsible for the production of non-standard equipment for the mechanisation and automation of the production processes of Prompribor. As a result of diversification this function now takes only 10% of the overall production volume of the affiliated company.

The company is substantially independent. 78% of the company is owned by individuals, and 22% by ZEIM. The key managerial positions in the company are occupied by the people formerly employed by Prompribor. The director of the company Ilyin Vitaliy Konstantinovich worked as a chief power engineer in the mother company. The deputy director Yarygin Vladimir Alekseevich worked as a head of the energy workshop, and the chief engineer, Kruglov Igor Konstantinovich, as a chief technologist on Prompribor. The director Ilyin V.K. has 26% of ownership. The company 'buys' services from ZEIM including communications systems, security, chemical-technological and ecological testing, painting and electro-chemical plating, production of instruments, metrology testing, all kinds of energy resources, transport, plant cafeteria services, and medical assistance.

In the process of starting up and development of the company special attention was paid to the training of managers. The focus was upon very quickly forming the team, and putting together a number of skills necessary to get the business off the ground. Knowledge of management and marketing together with practical training covering current business problems, allowed the successful building of the production cycle of the products and helped to find market niches in a short space of time.

Starting the business demanded the production of new products based upon existing technology. With limited resources there was no experience and skills readily available. People who came to the new business had worked all their life in the socialist economy where the plans were given from the top and where management was based upon directive methods.

There was no experience of team working, negotiating with customers and partners, preparing cash budgets for the company, working with the regulatory bodies (tax inspection), quick managerial decision-making, analysing external economic activity, preparing business plans, and working on personal computers. All this was covered in training.

The training was organised in ZEIM plc. It was conducted by the general director of the mother company – Stanislav Lyapunov, Russian external consultants from Moscow and St. Petersburg and foreign consultants from the Netherlands and the UK. Overall the work was overseen by the general director of the company.

As a result of the training it has been possible to cut costs and increase sales volume, develop new products and expand markets. In the future it is anticipated that training will become the main instrument of the manager of the company. The focus will be upon certification of the products, widening the flexibility of the work force, developing new gas-electro welding technologies, safe working methods, human resource management, and financial management and managerial accounting.

Case 8 Ukraine

The programme: GROWTH SMALL BUSINESS MODULES

The provider: THE LVIV INSTITUTE OF MANAGEMENT

Introduction

The Lviv Institute of Management (LIM) was founded nine years ago (1990) as a private non-profit education institution. LIM was the first organisation to create MBA programmes in Ukraine and remains the leading pioneer in the development of a modern Ukrainian MBA. Lviv is also a major regional city in the West of Ukraine. LIM has both a full-time and a part-time MBA programme and there are approximately 50 students on each (1999).

People who decide to come to LIM to study on the MBA have often been considering doing this for up to five years before. Because of the high quality and reputation of the programme and its staff, the MBA is priced at the higher end of the domestic market.

Ukraine is currently in the process of becoming a market economy and part of this process involves the development of small businesses. Unfortunately, the traditional MBA which LIM first developed focused upon assisting loss making large corporates to move back into profit. This was clearly not suitable for the development of small businesses.

Antonina Kharlamova joined the Institute in 1994. She was a young energetic teacher in economics and developed a research interest in small business development. Very soon after joining the Institute she undertook research which provided insights into how LIM could develop a more relevant MBA to the situation in a transition economy.

1. Identifying the needs

In Ukraine there is a recognised strong need to encourage the start up and development of new and exciting small and medium enterprises and, in particular, to educate potential small business entrepreneurs in the management of such businesses. The research noted above led to the development and introduction into the LIM MBA of a new module in Small Business Management. This module was very successful for the first two years of operation, as there were not a large number of students who had small business experience. Later, as more students joined the MBA who were already owner-managers or senior managers of SMEs, they articulated the need for more focus upon strategic thinking and project management approaches to developing SMEs. In response to recognised needs, it was decided by the LIM teaching team that new modules should be developed in the areas of strategic thinking and management and project management for SMEs. Technical assistance was obtained for this from a UK source through a grant from the British Know-How Fund. Work started on the

development of the modules in January 1998. These modules have now been tested with students. The evaluations indicate that they meet their needs and will assist them with growing their businesses successfully.

2. *The customers*

The focus is upon attracting individuals who have leadership potential, are energetic and are willing to actively participate in the transition of the Ukrainian economy to create a favourable economic environment for all its citizens. Such people tend to work in the SME sector and recognise that they need to develop modern management skills to survive in a very hostile and unstable economic climate. Management education in the former Soviet Union tended to focus upon production management and most managers have technical or other backgrounds but very little management training and education. Managerial education has now become very popular in Ukraine and LIM has deliberately sought to create a niche in SME management.

LIM's clients are wide ranging, including owner-managers and senior managers of small businesses from a range of sectors and potential entrepreneurs. They may be engineers, or have technical, medical or linguistic training and experience but no conceptual basis upon which to ground their management of SMEs. The modules therefore seek to provide a theoretical and practical grounding in small business management.

3. *Reaching the customer*

LIM has built up a good reputation in the domestic MBA market, particularly for having a significant small business development component in its programme and for combining theory with practice. Lviv Institute of Management also has a strong competitive advantage as its MBA is the only one in the Lviv region based upon internationally recognised standards. The Institute is currently an associate member of the European Foundation for Management Development and a member of the Central and Eastern European Management Association Network. It is widely seen as one of the best institutions of its kind in Ukraine. Image is important.

Reaching clients is primarily through LIM alumni. LIM alumni recommend the programme to other work colleagues and to their business clients as a good way of developing management skills. LIM also actively markets the programme through promotional literature, advertisements in newspapers, presentations to companies, open days at the Institute, participation in trade exhibitions, radio and television interviews, mailshots to companies, and through a regular newsletter to alumni and other important stakeholders.

Staff at the Institute write regular articles on business-related issues for local newspapers. The Institute participates in the annual Educational Seminar organised by the Lviv Regional Authority (Oblast State Administration). LIM also attends European Management Education Seminars and develops relationships with foreign management schools.

4. *The programme*

There are several innovative features of the approach to the Growth Modules within the LIM MBA:

- The first time the students visit LIM to start the MBA programme they are asked to write about their experience, career background, their development needs and their expectations of the course. The aim is to work closely with students to meet their learning needs.
- When they complete the MBA the students are asked to undertake an overall evaluation, indicate which of their learning needs have been met and make their personal recommendations for the development of the programme.
- The original MBA course had separate courses for each of the different management disciplines (e.g. management, finance, marketing, operations management, etc.). In the new Small Business Management module the core concept is that small businesses are managed holistically rather than functionally. The focus is upon grounding students in the realities of operating in a small business in the underdeveloped Ukrainian market where problems require solutions combining knowledge from different functional areas and flexibility to meet the rapidly changing market conditions there.
- As a result of feedback, two further Small Business Management modules have been developed and introduced to meet the growing needs of students namely 'Strategic Management for Small Businesses' and 'Project Management for Small Businesses'.
- The Lviv Business Support Centre (which is the daughter organisation of LIM) helps organise practical visits for students and provides consultancy support.
- Students prepare case studies using experience of problems and issues encountered in their own business and from study visits to other businesses in the Lviv region.
- The project management module outputs are based upon the student's work experience. All are encouraged to develop and implement a project during the MBA with support from the Business Support Centre.

The portfolio of small business modules has enabled students to broaden their horizons and consider growing their businesses rather than merely survive. Potentially, the three small business modules can be separated from the rest of the MBA and packaged and priced into a growth programme for those entrepreneurs who do not wish to study the full MBA but see the potential for developing their own business and strategy for growth.

4.1 *The training approach*

Staff at LIM have knowledge and experience in areas of specialism. All have had internships at western universities. In the case of those delivering the small business modules, all have had internships at a specialist Western institute. During these internships the teachers were introduced to active training methods. They also received materials related to small business

development, strategic thinking and management and project management. Trainers on the programmes now use active learning methods such as case studies, simulations and business games. This has been well received by students, who previously had experienced only traditional didactic approaches. Students are encouraged to play an active role in their own learning and to share their own experience and knowledge with others. They are also encouraged to investigate topics for themselves and to provide feedback in class sessions. Since the LIM MBA started nearly ten years ago, there has been a major culture shift from teacher-centred learning towards student-centred learning. Teachers at LIM now take the role of partners in the learning process.

Entrepreneurs are also involved in this learning process. This happens in two ways:

- through student visits to companies (related to students' interests and experience);
- through student discussions with entrepreneurs and individuals from the small business stakeholder network (e.g. bankers, local government officials, tax officials, etc.).

In the Small Business Management module, entrepreneurs are invited to discuss the start-up and survival processes in Ukraine, local government officials to discuss the support provided to small businesses in the Lviv region and bankers to discuss the financial facilities available to support new businesses. In the Strategic Thinking and Management module, entrepreneurs who have grown their businesses are invited to discuss with students their experiences of the process, the level of resources required and where these resources can be obtained. In the Project Management module, invited speakers come from international organisations which provide grant support for small businesses.

For each topic in the Small Business Management module, students are provided with a handbook of written materials to support their learning. In the case of the business registration system in Ukraine information is provided on:

- the legal procedures to be followed in registering a business;
- the documents to be completed;
- the legal regulations relating to ongoing small business operations;
- the resources required to start-up a business (e.g. the rental cost of buildings, the cost of equipment, costs of preparing a viable business plan etc.).

Among the case studies used is one major exercise on a Ukrainian small business including the start-up, survival and growth stages. Students are encouraged to discuss the managerial approach and decisions they would take at different critical points in the development of this business. This case includes information on the financial, marketing and management aspects of the business.

The materials provided therefore try to provide an overall view of all aspects of small business. The intention is to provide a tour guide of the small business world!

The Strategic Thinking and Management module starts by raising the awareness of students of their own personality and abilities and provides a benchmark against which the student can assess their personal development during the course and by the end of the course. A considerable amount of material in the form of self-assessment tests is provided to the students along with written material in the form of a handbook to support the strategic management aspects of the module. This is particularly focused upon company strategic positioning and successful management of the strategic process. The second part of the programme involves a computer simulation allowing students to practice their strategic planning skills using financial, marketing and production management knowledge. The results of the simulation provide students with the opportunity to reflect upon what went well and what went wrong with their strategy!

In the 'Project Management for SMEs' module, students focus upon developments in their own business and to do this they use modern computer project management software. Students prepare projects for funding applications to banks. Prior to creating their project they have a visit to local banks to find out how the bank operates and what assessment criteria are used for loan applications. They also receive information on how to advertise their project and thereby attract foreign investors and partners.

4.2 *Content*

The growth modules cover the following key content:

1. ***Small Business Management:*** What is an entrepreneur and what is entrepreneurship? Business ideas generation; how to create a small business in Ukraine (including problems and issues with registration organisations); legal types of small business; how to develop a successful business plan; how to obtain finance from banks; small business support organisations in Ukraine (domestic and foreign); marketing, finance and legal issues in small business management.

   The course has a mixture of inputs including case studies, discussions of regulations, company visits and practical project work.

2. ***Strategic Thinking and Management for Small Business:*** Key components include tools for strategic thinking, developing an organisational structure for growth, and choosing a successful growth strategy. The module then moves on to develop tools which can be used to assess the strategic potential and choose an appropriate strategic position for the company. Tools are also developed for long-term planning. The course considers the managerial attributes necessary to effectively manage the strategic process and the strategic aspects of business internationalisation.

3. Simulations and games are used to improve the marketing, finance and forecasting/planning abilities of students.

4. ***Project Management for Small Business:*** This covers tools for project design, implementation, monitoring, and evaluation of growth projects in small businesses. A variety of training techniques are used, including computer-based simulation games. At this stage, students develop a project plan based upon their own business experience and, in collaboration with teachers, try to make this project applicable to the real world.

4.3 *Location*

The programme is run at the Lviv Institute of Management. This is a convenient regional location for interfacing with business.

4.4 *Timing and price*

The modules total ninety hours of contact time with a tutor. They are delivered over a period of 3 months on a part-time basis.

There are no subsidies available for the MBA programme and so the costs come from one of two sources:

- the participants' own pockets;
- the participants' companies or organisations.

In the case of small business owner-managers then the source is of course the same! The Institute also makes a marketing feature of allowing participants to pay fees in instalments. Bursaries in the form of discounts are provided to the best participants. These are determined by academic performance.

The prices for the programmes are as follows:

Full-Time (1 year)	$2400
Internship to USA (optional extra)	$ 500
Total	$2900
Part-time (2 years)	$2500 (total)
Internship to USA (optional extra)	$ 500
Total	$3000

The three small business-related modules as a stand alone programme cost $100.

4.4 *Evaluation, monitoring and follow-up*

The outcomes against which the programme should be evaluated concern understanding the issues surrounding small business start-up, survival and growth and the conceptual tools needed to manage small businesses at different stages of development. Participants should also gain an awareness of external support and business networks which will enable them to participate more fully in the local economy. Participants should be able to think strategically

and develop their own business projects to be carried out in reality. They should also be able to use appropriate computer software to support their business activities (e.g. in the marketing and financial areas).

Participants are encouraged to provide written and verbal feedback against these outcomes both during and after the completion of the modules. Participants are also asked what they have found useful about the course, what they suggest should be added to the course, and how effective the teaching methods that have been used have been. A weakness is that there is no long-term follow-up evaluation as yet.

There is, however, follow-up support. SMEs in transition economies especially need such support. The Business Support Centre provides advice, contacts for potential new business clients and suppliers and information to support the development of their businesses. Participants also receive support from local entrepreneurs associations and from the Lviv Municipality and Regional Authorities. Information is provided about international organisations which support SME development in Ukraine (investment and advice). To assist this process, the Institute maintains a database of business contacts which are available to participants. Post-programme networking also takes place amongst participants to share experience and knowledge.

5. *The future*

The course will seek to encourage more students to focus upon growing their own business. There is therefore a need to develop a critical mass of staff who will specialise in small business development. LIM is also continuously trying to assess what the future needs of client groups are going to be through market research. It is recognised that this is the essence of competitive advantage.

UKRAINE

The participant company: ***FASHION ON THE FEET OF UKRAINE***

The participating person: ***HALYNA HOL'DAK***

Halyna Hol'dak is a shining example of an entrepreneur. In 1984 she graduated from the Philological Faculty of Lviv State University as a teacher of Ukrainian Language and Literature. She then went to work at the Vocational Shoemaking School in Lviv for 10 years. Whilst at the Vocational School she spent 6 years as teacher of the Ukrainian language and literature and a further 4 years as a head of the Trade-Union Committee. This latter position required organizational skills, lendership qualities, ability to work with people and manage finance and to be able to take risks and responsibility.

From 1994 to 1998 Halyna was a housekeeper and was bringing up her son Vitaliy who was born in 1985. During this time she started to sell plastic goods such as breadbaskets and trays for plates. Halyna had four stalls in the local market and one in the centre of Lviv. Even then her approach to business was uncommon. She was very highly motivated (she was finding that this kind of business activity was rather profitable) and her style of doing business differed from her competitors. Cheap, good quality plastic goods were available from neighbouring Poland and Halyna was able to spot an opportunity to develop a new market. Halyna made the acquaintance of travel agents in Lviv who took people on tours to Poland. She asked them about factories in Poland which manufactured plastic goods. In such a way Halyna made direct connections with the factories, not with middlemen, and she was able to choose from a wide range of goods and sell them at low prices. Halyna was able to encourage customers to order goods through the catalogues of Polish factories and it became her competitive advantage.

Having made a great profit in 1997, Halyna decided to change her business profile and come back to the footwear business. The process of creating and doing this business was similar to her previous one. Halyna booked a tour to Northern Italy, asked the tour guides about local shoe factories, arranged contacts, took their catalogues and began transporting shoes from Italy. In 1999 Halyna, eager to expand her business, needed to acquire modern knowledge of running a business in Ukraine and abroad. She therefore chose to study at the Lviv Institute of Management and she was very attracted by the small business-related modules offered on the programme. Halyna is typical of many small business owner-managers worldwide in that she has to manage everything, financial affairs, bookkeeping, purchasing etc. She does not have permanent employees, only part-time drivers and salesmen at the market.

Intensive study on the programme pushed Halyna to qualitatively change her business activities. Through her studies on the small business-related modules and through the Lviv Institute of Management Business Support Centre she gained many useful contacts. As part of the course she wrote a business plan which she used to get a loan from a bank and also found new ways to cooperate with other shoe stores. Halyna acquired knowledge of small business development from the "Small Business Management" module; worked out her own strategy for development on the module "Strategic Thinking and Management for SMEs" where she calculated everything with the help of computer programs, wrote a business-plan for getting a loan (in the Small Business Management and Business Planning modules), and created her business development project.

Halyna has now decided to organise the wholesale trade of shoes in Lviv, to rent some premises, to get a loan from a bank and to employ 2-3 people in the premises with 1 driver. She is to implement a partnership with the owner of "Roland" shoe store. These are her plans for the spring of 2000. Yet there are many factors which prevent Halyna from expanding her business as fast as she would like. Firstly, the environment in which Ukrainian businesses operate is hostile. Markets are very tight and there is a scarcity of working capital in Ukrainian businesses compared with their competitors. There are unfavourable tax policies in Ukraine and as a result 50% of Ukrainian businesses work in the "shadow" economy. It is also impossible to get a loan from a bank without providing high levels of collateral.

UKRAINE

The participant company: ***NASTAS LTD***

The participating person: ***OLEXANDER GRINKEVICH***

Each person is master of his own fate. Olexandr Grinkevich has created his career through his energy and willingness to make everything with his hands. Olexandr studied at the Lviv Polytechnical Institute graduating in Radio Engineering (1986-91). From 1991-1993 he worked for a small state enterprise, Resort and Store, which was located on the premises of a large locomotive repair plant. He worked as both a salesperson and accountant in that small enterprise (his father was a director, and Olexandr and his brother were employees). The whole enterprise consisted of 9 people: 4 guards, 1 janitor and 1 person who managed purchases for the business. In 1993 Olexandr saw a new opportunity: he started a limited company selling small halogen light bulbs and lamps (wholesale and retail). Olexandr was both director and accountant. Clients asked him to install them (clients were both business and private persons). Thus, the business idea expanded from installing lamps to undertaking repairs to premises. Olexandr and his brother then moved on to high quality renovations to offices and private apartments. Such a service was very popular at that time in Ukraine, and even now is in big demand.

In 1997 Olexandr moved on to a new idea, maintaining water supply and heating systems (his clients being private houses and offices). He worked alone without his brother. Olexandr thus became an independent entrepreneur and created the company 'Nastas' Ltd. Olexandr and his firm worked for two years in the shadow economy because of tax and legal problems. His team consisted of four persons. He had few formal orders. No one wants to work legally (the clients preferred to stay in the informal economy as well)!

In order to be able to survive in this chaos Olexandr felt he ought to seek knowledge and support. He therefore decided to study on the Lviv Institute of Management MBA programme in order to learn how to run his business in a more organised way. He started the MBA in February 1998. The aim was to improve the management of his firm and develop greater understanding of how to operate and gain orders in the unstable economic environment in the Ukraine.

Olexandr believes that the Small Business Modules (Small Business Management, Strategic Management, Project Management), and, especially at the beginning of the first year, 'Small Business Management', have helped him to look at his own business. He has been able to take a step back and think more about organisation, activity planning and advertising. He chose to study on the part-time evening MBA so that he could work during the day and study in the evenings. He has benefited from this by being able to simultaneously acquire knowledge and apply it in practice the next day. He was also able to receive individual advice from the teachers on the MBA programme.

He got his first official order (a formal one) from the Lviv Institute of Management. It was a contract for the maintenance of the water supply and heating system in the new 4 storey premises of the Institute. Since then there has been significant growth of the company. In 1998 there were 4 employees: in 1999 there was a core staff of 12 people.

While studying at the Institute Olexandr has formed useful new business relationships and contacts. Through the recommendation of staff he has recruited a well-qualified accountant. Several fellow MBA students have become his clients. He is also receiving further advice from the Business Support Centre of the Lviv Institute of Management.

Olexandr's Nastas firm is currently selling up-to-date water supply and heating systems and is actively applying innovations. All the equipment is, however, foreign. The firm owns its own equipment tools for mechanical pipe connection – a portable case costs about $1000 (gas welding device, drills, and other specialised instruments).

The 'Nastas' firm and Olexandr as an entrepreneur still have many problems including:

- *the unfavourable economic conditions for business development in Ukraine;*
- *the imperfect tax system;*
- *the fact that Olexandr's business is still in the shadow economy. Thus Olexandr has to work out when it is best to work as a company and when to work as a private entrepreneur. He needs to be flexible in order to adjust to the complicated unstable and uncivilised economic conditions of business in the Ukraine;*
- *clients do not want to work officially. They do not pay on time and generally there is a high risk that an order will not be paid for. To cope with this clients are asked to pay for materials in advance. Continued uncertainty in the economic environment in the Ukraine affects the ability of clients to pay once work is completed.*

In addition to the above there are many managerial problems including:

- *the low level of training of employees;*
- *lack of coordination between employees (technicians, accountants and suppliers);*
- *lack of clear planning;*
- *the Director (Olexandr) has to manage everything and cannot delegate his responsibilities.*

Olexandr believes that the module on 'Strategic Thinking' and 'Strategic Management for Small Business' was particularly important in developing his strategy for the enterprise. During the MBA he had the possibility to develop and design a growth strategy for his own business and within this to elaborate upon financial, marketing and staff growth policy.

Olexandr has had several possible growth strategy projects, but in 1999 he is planning neither large scale growth nor seeking to obtain bank or international organisation loans. Before he can pursue growth he recognises the need to:

- *improve management methods;*
- *find another market niche so that his business is more stable and profitable;*
- *improve the management team and the team at the enterprise in general; and*
- *develop a strategic plan for at least 1 year.*

The main benefit perceived by Olexandr from taking the Small Business MBA modules and the MBA programme as a whole is that the direction of his business development has become clear. It is easier to promote the business. Marketing and finance have become better and his personal motivation is very high. He is now optimistic about the business despite the complicated economic conditions in the Ukraine.

Case 9 Ukraine

The programme: IMPROVING PROFITS

The provider: THE LVIV INSTITUTE OF MANAGEMENT

Introduction

In 1992 the Lviv Institute of Management decided to broaden its mission to provide support and consulting to small businesses in Lviv region. The Business Support Centre (BSC) was therefore created by Valeriy Piatak, Director of the Institute. The Centre was charged with assisting the establishment, promotion and development of the private sector in Ukraine. In particular, it was to assist comprehensively in the growth of small and medium-sized businesses to meet world business standards. This mission is undertaken through the delivery of training programmes, consulting services, a regional and worldwide business information provision, a state of the art computer programming/network installation, and the provision of investment support.

In the conditions of an unstable economic environment and in the transition period to the market economy, the BSC's main focus is upon assisting the Ukrainian businesses to find their niche in the market and improve their decision-making processes. To this end it has been applying new approaches in consulting and assisting the growth of small and medium-sized businesses.

In 1999 the Business Support Centre provided the following services to the Ukrainian business communities:

- training programmes for enterprises of all sizes (but particularly small businesses) on a variety of business-related activities;
- consulting in areas such as marketing, finance, taxation, legal aspects of business, change management and importing and exporting;
- preparation of legal documents for business creation and registration;
- assistance with business plan development;
- access to databases of potential Ukrainian and international business partners.

BSC has a positive image not only in western Ukraine, but internationally. The Business Support Centre gained a further boost to its activities when it successfully won a competitive tender to receive technical assistance and financial support under the USAID 'Newbiznet' programme in 1995. This has enabled the Centre to expand its activities and open access to potential clients from other parts of Ukraine linking with other Newbiznet Centres supported under this programme.

The success in gaining USAID support encouraged the Centre to seek further donor support to develop its activities. In 1995 the Centre secured a grant from the British Know How Fund to develop an academic link with a UK Business School. Under this grant, technical assistance was provided for joint development of training 'Improving Profits' aimed at improving the sustainability and profitability of Ukrainian small businesses, many of whom were experiencing difficulties in a harsh economic climate.

1. *Identifying the needs*

The Centre has highly qualified staff members with business experience in the Ukraine and abroad and experience also of successful cooperation with foreign firms and organisations. It has close contacts with clients and organises surveys concerning their needs. It was by this process that the need of clients for a more systemic understanding of the development potential of their own businesses was identified. In particular, there was a need to develop capacity to assess the business objectively and strategically across the range of its activities (finance, marketing, people) and to explore new ways of growing and improving the performance of the company.

2. *The customer*

The target group for the Improving Profits programme is owner-managers and senior management teams (from each company) with the authority to implement change. They should be seeking to secure sustainable and improved profitability. The first group of participants was selected from businesses in the Lviv region. Subsequent programmes have involved owner-managers and senior managers from other parts of Ukraine.

Each programme seeks to attract 2-3 senior managers from each business (in practice the whole management team of the small and medium business). There is, however, a particular focus upon owner-managers who wish to find a more stable market niche, want their business to be more competitive and are anxious to bring benefits to themselves and to the economy of the Ukraine.

3. *Reaching the customer*

Various methods are utilised to reach customers including:

- advertisement to members of the entrepreneurial club;
- participation in exhibitions;
- mailing of brochures;
- advertisements in newspapers;
- promotional seminars with city and regional government.

The main marketing message is that the programme is for the management teams of small and medium-sized businesses who wish their business to operate effectively, grow and be profitable.

4. *The programme*

The detailed aims and objectives of the programme are:

- to encourage better awareness of the needs of business owner-managers as well as senior managers;
- to encourage participants to introduce changes in the businesses;
- to encourage the motivation of owners to make their business more profitable;
- to encourage participants to work with consultants to identify barriers to the expansion of their businesses.

There are several programme features which are innovative. Firstly, it has been developed in a modular fashion in order to tailor it to the needs of individual business. Secondly, before the programme starts, potential participants must indicate what problems their firm is facing at the moment and what they would like to improve in their business. Thirdly, participants must complete a needs analysis questionnaire, which helps them to identify their key learning needs, what they want to achieve through the programme and on what topics they would like to receive training and support. Finally, participants are tested on their knowledge of various aspects of business. This provides a benchmark against which to evaluate what they have learnt by the end of the programme.

4.1 *The training approach*

Overall, the programme does not focus upon separate functional areas such as finance and marketing. It has a more holistic focus, embracing all aspects of business management. It aims to help clients to assess the opportunities for their businesses strategically, their competitive position in the market and their possibilities for growth.

The exchange of thoughts and experience between participants and trainers is particularly encouraged. This covers how the company operates, the choice of marketing strategy, the competitiveness of products, the design of the product or service, and whether all the company operations (activities) are profitable.

A visit is paid by consultants to all the businesses involved. The aim is to gain insight into the activities of the company, the problems and the improvements required. After the business analysis the consultant works together with participants on a business-plan for the development of the company and its implementation.

Participants are given handouts for each section of the programme covering marketing, finance management, production management, human resource management and business planning. These are supplemented by materials on Ukrainian legislation.

Each section used cases and business simulations as methods for active learning.

4.2 *Content*

The programme includes the following modules:

1.	The Start-up task	8 hours
2.	Marketing	12 hours
3.	Finance Management	15 hours
4.	Information Management	2 hours
5.	Production Management	9 hours
6.	Human Resource Management	9 hours
7.	Presentation Skills	3 hours
8.	Business Planning	5 hours
9.	Presentation of the Business Plan	3 hours
	Total:	**66 hours**

Key points of detail include:

- **Start-up task:** Motivation for the start-up of a small business, finding an idea, validating the idea, identifying the resources, registration, start-up and survival.
- **Marketing:** The marketing process. Knowledge of customer groups and their needs. Business performance in the competitive environment. How the environment is changing. Effective approaches to selling, product/service grouping, customer segmentation and using channels of distribution. The marketing mix. What is the pricing policy? How do customers find out about the products/services and the business (advertising, direct marketing, PR branding, point of sale and packaging.
- **Finance Management:** Analysing cash and profit problems, balance sheet, profit and loss reporting, cash-flow, profitability (sales, margins, expenses, overhead costs, product costs and contributions, breakeven analysis), cash/working capital, funding, financial control.
- **Information Management:** How to use information technologies in management, accounting, finance, advertising, marketing (creation of product and package design).
- **Production Management:** Covering utilisation, efficiency, quality, wastage, how to manage the inventory effectively, how to run waste free production, operations: process, people, premises, plant/equipment.

- **Human Resource Management:** How to recruit employees. How to set up a flexible payroll system. How to encourage employees and organise a creative team of success oriented people.
- **Presentation Skills:** How to present the company in the best light. How to effectively communicate and persuade customers, competitors and partners.
- **Business Planning:** The marketing plan, finance plan, company presentation, operations plan and company growth plan.

4.3 *Location*

To ensure that the training aspects of the programme are concentrated upon, the programme is run on a residential basis. The aim is to remove participants from day to day business problems.

4.4 *Timing and price*

There is a four week gap between each module. This provides small business managers with the chance to implement change in their business.

The first programme was subsidised by the UK Know-How Fund and partly financed by participants' companies. The cost of the programme is $320. The participants who do not need the course on Operations Management pay $300. The course now has to be full cost recovery. There are thus difficulties in supporting such a continuous and diverse programme.

4.5 *Evaluation, monitoring and follow-up*

Participants are questioned before, during and after the programme as to its effectiveness. This allows the programme to adapt flexibly to the requirements of individuals, their development and the needs of their businesses.

After the completion of the programme, the Business Support Centre suggests the implementation of the participants' business growth plans. It seeks to involve Ukrainian investors, assists in getting credit and helps in information provision.

In total, the training modules are supported with 30-40 hours of consulting and mentoring for each business. Different consulting specialists are used, dependent upon the nature of the business problem. The consulting inputs are used to ensure that a credible business plan is completed by the end of the programme. Evaluations indicate that as a result of the combination of theory and practice, participants see the necessity for a strategic approach to the development of their business. They learn to see the business from the point of view of the customer, the competitor and the partner. They also think more flexibly and are in a better position to create new products and services.

4.6 *Management*

It is very difficult to manage 'improving profits'. The main difficulty relates to the need to combine theory and practice (training and consulting). It is also difficult to set the right time for the programme to be held, convenient for both participants and for the management of the programme.

5. *The future*

The main threat to the continuation and development of this programme is the state of the market in the Ukraine. There is no regulated market infrastructure. There are no 'civil' conditions for business management. There is a very severe tax policy and enterprises suffer from a chronic lack of working capital. They also are afraid of competition. The overall priority is therefore to survive in a difficult economic situation in a transitional period. There are few possibilities to grow.

UKRAINE

The participant company: *TORGPRESSA*

The participating person: *LARYSA VILCHANSKA*

After the collapse of the Soviet Union many enterprises in Ukraine had to transform their activities and pay much greater attention to the market. In 1992 the Ukrainian press enterprise "Torgpressa", the successor of the former "Sojuzdruk", began to conquer the Ukrainian market. In 1995 privatization led to the creation of an Open Joint-stock Company "Torgpresa". It supplies the dwellers of Lviv and Lviv region with printed publications. It then had 11 daughter enterprises in the towns of the Lviv region and 2 subdivisions.

Lubov Hlynka has been working at the enterprise "Torgpresa" from its creation (1992). Before that Lubov worked at a large plant "LORTA" with up-to-date German equipment – (automated storehouse for storage and replenishing of radio-equipment) While working there, she graduated from the Polytechnical Institute (by correspondence). Her major was in the "economics of mechanical engineering". She had a family and two daughters. Being a very energetic and enterprising person, Lubov suggested renting the 'department' in which she had worked. She had a very imaginative business idea, but at that time the management of the plant did not agree with her proposal. Yet at this time the USSR was collapsing, and all cooperative relations between enterprises were breaking down. The plant she was working in was falling apart, and her salary was not paid. Lubov was then asked to work as an economist in "Torgpresa" and she agreed with pleasure. After "Torgpresa" was privatised and became an Open Joint-Stock Company launched Lubov was elected Head of the Supervision Council. By 1999, Lubov was employed as the Chief Economist.

Larysa Vilchanska worked as an economist in the department of economic forecasting and was responsible to Lubov Hlynka. Larysa did not have an economics education. She had graduated from the Polytechnical Institute but her major was architecture. After privatisation "Torgpresa" needed to increase profitability and adjust its management. It was therefore decided to create a team in collaboration with the Business Support Centre to study at the "Improving Profits" programme. The team was Lubov Hlynka, Larysa Vilchanska and Ihor Kacher who worked in the sales division.

For Larysa Vilchanska the "Improving Profits" programme was a chance to acquire knowledge in key areas of: "Management", "Production Management" and "Business Planning". Larysa had a strong desire to study in the team with the more experienced Lubov and Ihor and she saw the "Improving Profits" programme as an opportunity for implementing new ideas. At each stage of the programme Lubov was able to discuss with the trainers recommendations concerning the development of "Torgpresa". Lubov's main interest was in finance, employee selection, staff pay and how to make the business profitable. Ihor Kachor who worked in the sales division was most interested in marketing and product development.

After the programme a number of dramatic changes occurred at "Torgpresa". A management service and a marketing department were created. (Larysa Vilchanska left the department of economic forecasting for the department of marketing and became sales manager). Ihor Kachor became a senior manager.

There are now approximately 400 employees at the enterprise "Torgpresa", four daughter enterprises and nine structural subdivisions (marketing/sales department, personnel department, economic forecasting department, wholesale-retail selling, press division, chief engineer and the transport-economic division and accounting department). "Torgpresa" collaborates with 220 editorial offices of newspapers and magazines. It distributes through more than 100 kiosks, which also sell other goods such as haberdashery and hygiene products. The enterprise is profitable (which in the difficult economic situation in Ukraine is a great achievement of management and employees). It is paying all taxes "obediently" and pays salaries on time. "Torgpresa" has bought the premises where its office is located and has privatised all kiosks. It has its own transport. It constantly adjusts to all changes in legislation.

The key benefit of the "Improving Profits" programme is that "Torgpresa" has started a costing system. This system enables it to have better control over kiosk expenses, and over each division of the enterprise in general. Kiosks are given sales targets and the salespeople have very specific guidelines even though it is almost impossible to foresee demand (there are big deviations in sales each month).

Though the enterprise "Torgpresa" is profitable and the turnover and cash flow are growing, while expenses are growing correspondingly. It still faces a number of problems including a lack of coordination between the management team – there is no intercommunication between divisions or subdivisions of the enterprise, a lack of management information, an inadequate understanding of market segmentation, a low level of computerisation, inefficiencies in the accounting department – the enterprise is losing its suppliers because of non-payment due to the accounting deficiencies, and, in general, work organisation is weak.

In addition, there are problems of an external nature including the unstable economic environment, intense competition – there are a great many independent private distributors of the press, and a lack in working capital for purchasing the most popular editions (especially of magazines due to their high price).

At the "Improving Profits" programme the team of "Torgpresa" prepared a business-plan for "Torgpresa" development. Many parts of the plan have already been implemented, although many issues still remain unresolved. There is, for example, a recognised need to devolve greater responsibility to the 'daughter' enterprises. There is also a wish to invite consultants to organise a workshop on sales and commodity research.

Lubov Hlynka, Larysa Vilchanska and Ihor Kachor continue to keep in touch with and collaborate with other participants in the "Improving Profits" programme. They also actively participate in other workshops held by BSC and in the courses of other educational organisations of Lviv and Ukraine. They would like to attend a program where their competitors are present (though it is very risky) in order to structure the market more, and to collaborate in more civilised manner. The management team of "Torgpresa" now has forecasts and plans for growth and development and more enterprising employees. It is the hope that this enthusiasm will be sufficient to turn plans into reality.

UKRAINE

The participant company: ***SAVA LTD***

The participating persons: ***LEONID and IHOR YAREMA***

Leonid and Ihor Yarema are a good example of teamwork. They combine a personal interest in the business, aspiration to combine knowledge and skills and the direction of all efforts towards one goal not only in the family, but in business as well. In 1991 Leonid and Ihor who had a technical education and had some previous experience in running a business decided to set up "Sava" Ltd. (with three other founders). The company sells and installs modern power-saving thermo-technical equipment such as heating and plumbing systems. After a short while the three other founders gave up the business and now only Leonid (Director) and Ihor (Commercial Director) are in charge.

As the business grew, the brothers wished to learn how to make it more profitable. They were told about the Business Support Center of the Lviv Institute of Management and the programme "Improving profits". They were interested in the possibility to involve marketing, finance and other consultants directly in their company.

The programme included training in areas that covered the basic activities of the business. The programme cost was acceptable, as was the time (4 days per month in the evenings allowing time for study without leaving the business).

The programme has helped the brothers to more clearly allocate responsibilities and better organise their business. Advertising, marketing and finance have improved as a result of the consultancy. Acquired knowledge in writing business plans was of importance in facilitating the development of different projects. Yet although the programme is close to reality, the brothers feel that it has been developed for more civilised business conditions than currently exist in Ukraine. The legal environment for companies is unstable and unpredictable. Key problems include an undeveloped market (there is an inadequate infrastructure for running a business), severe pressure of the taxation system, an unstable economic environment which limits the chance for business development, and the impossibility of attracting foreign investment into Ukraine because of the unstable legal environment.

The brothers therefore have to put more of their effort into fighting for survival of the business. Yet, since the programme, "Sava" has managed to develop its business, i.e. it has expanded its market and now sells equipment (modern power-saving therno-technical equipment, heating and plumbing systems) to all regions of the Ukraine. The company has a German partner who helps source technology for the business in the European market. This partner has a share of the company. The brothers consider this cooperation to be the most successful recent event in their business career as it allows the sharing of experience and the opportunity to acquire new information on modern technologies in power-saving thermo-technical equipment, heating systems and the plumbing systems market.

One further result of the programme is that the brother have networked contacts with other companies and have become members of the Small and Medium Business Association. They are, however, disillusioned with the Association because of its lack of influence which limits benefits to members.

5. A comparative analysis of growth training programmes from the supplier, buyer and customer perspective

The cases in the previous chapter bring together both the experience of the 'providers' and those of the client groups – small firms and their managers. The aim of this chapter is to draw out some of the key issues from the experience that might be of value to others in the future. This is not an easy task as, in general, the conditions for support of growing small and medium enterprises operate in the countries examined are by no means supportive. Even in the 'advanced' market economies of the West it is not easy to create a 'market' for the training of growing enterprises without public subsidy. The problems that most of the companies and providers faced in common were symptomatic of the broader problems of transition to market economy. Perhaps most important is the absence of a competitive level playing field and unclear 'rules of the game' for commercial transactions supported by a climate of 'trust'. In this respect the companies and providers in general argued that conditions had somewhat worsened in the past two or three years rather than improved. This to some degree is exemplified by the slow-down of the birth rate of business start-ups particularly within the 'formal' economy (see Chapter three).

In most of the country contexts studied, with the exception of Poland, there is still a major problem of the existence of the 'informal' economy. Entrepreneurs still prefer to run most, if not all, of their business outside of the formal regulatory structure. All complain about the absence of an adequate regulatory environment, frequent changes in law and the problem of corruption. It is clear, in this respect, that some of the content of programmes can be (and was) criticised in that it rests upon the assumption that there are reasonable market conditions within which the company can build itself. Some of the formal 'realities' of doing business in the countries cannot properly be dealt with in informal training programmes. In many of the countries concerned there are still relatively high rates of inflation and a complex and primitive tax structure. Growth has to be funded out of revenue and cash flow. Sources of funding from the banking system are absent or poor and there is a chronic shortage of working and fixed capital. There are also difficulties in building links with western companies and investors. In this respect a key issue may not be so much the creation of new legislation itself

(although obviously this is important) but improvement in the knowledge and capability of the various official stakeholders who deal with small business and create its operating environment. These are not only tax officials but also all those who carry out various inspection and licensing systems affecting small enterprise development. The 'process' of regulation is as much, if not more, important than the letter of the law. It may therefore be just as important to deliver business development and growth training programmes to bureaucrats and stakeholders as to private sector SMEs! In the meantime, however, an important part of growth training will be related to 'how to' operate in a semi-formal economy within the constraints of the 'uncivil' market structure.

Notwithstanding the difficulties in the environment, the cases can be analysed from two perspectives: one relating to the design of training programme approaches; and one relating to the analysis of participant and business reaction. Within these frameworks, from the cross analysis of experience, it is possible to point to key areas of 'good practice' and later to suggest how this might be sustained in the distinctive circumstances pertaining to Central and Eastern European transition economies.

From the earlier discussion (Chapter two) the programme design framework for effective training approaches can be analysed in respect of six key characteristics:

Key characteristics of SME training programme design

1. The processes by which the needs and the customers can be identified and grouped in a sensible way.
2. The ways in which these needs can be converted into demands.
3. The way that programmes can be developed to maximise effectiveness.
4. The way that programmes can be delivered effectively.
5. The way programmes can be effectively marketed.
6. The way that programmes are evaluated, monitored and managed.

The framework for analysing the reactions of customers can be divided within two key areas:

Analysis of customers' reaction

1. The basic 'drivers' for companies and individuals to seek support for development.
2. The basic learning approaches needed to achieve maximum effectiveness.

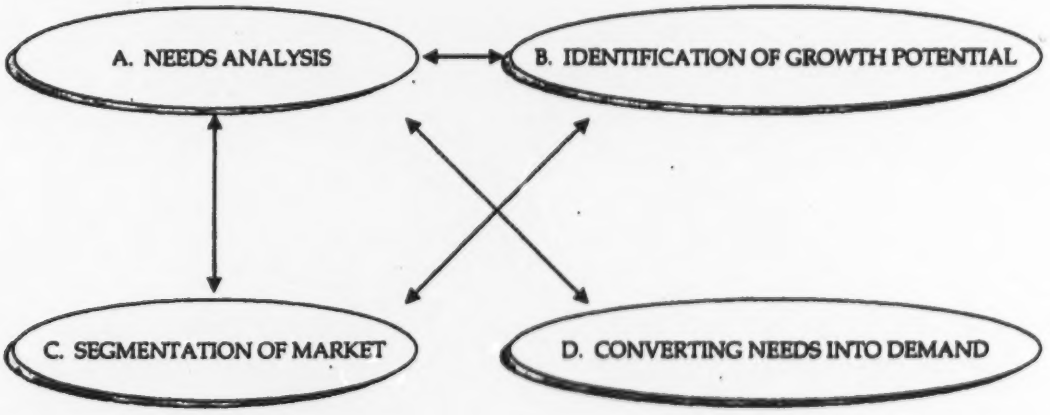
The 'drivers' vary with the type of company and industry, with the problem/opportunity that lies behind the 'demand' for training, with the different motivations of individual owner managers in particular to attend the programme, and with the different key areas of learning needs.

Learning approaches are best discussed against the backcloth of the particular nature of the learning need and the outcomes looked for. An important issue is that of the type of learning approach which seems best suited to entrepreneurs and their managers and the process by which learning is converted into practice which was found to be of concern to both company and provider.

5.1 *Experiences in programme development and dissemination*

5.1.1 *Good practice in needs identification*

Four major issues arise from process of needs identification. Firstly, the process of needs analysis itself and how this was done. Secondly, the way in which this was, or was not, focused on the identification of growth potential. Thirdly, the degree to which it is possible to carefully segment the market by identifying groups of customers with similar needs and thus convert needs into demand. Fourthly, the process by which needs were converted into demand.



A. Needs analysis

In all of the countries studied there was a clear distinction between needs and effective demand (at a price). It is clear from the experience that this is a major issue. The lesson is that

➢ *needs analysis must be pursued in a way that leads clearly into demand creation.*

Superficial identification of broad areas of need, for example the 'need for marketing', or the 'need for finance' is unlikely to create a market. Several of the providers, for example in Hungary and in Estonia, started from broad assumptions concerning the needs of the client group. In the case of the Lviv Institute of Management the programme was based initially on broad surveys of needs identifying strategic, functional and developmental capacities in organisations in order to create greater stability. In Estonia the Growth Programme was initially based on broad assumptions concerning the needs of companies operating within a transitional market economy. In the case of Ketto Consulting in Hungary the needs analysis was undertaken by Local Enterprise Agencies and in Latvia broad areas of need were analysed by means of a doctoral dissertation.

It is clear, that such kinds of broad needs analysis are merely a starting point. Needs analysis is a dynamic and on-going process. Nearly all of the providers indicated that, just as in the case of business start-ups themselves, the real learning needs emerge once the programme gets underway. In this respect the 'best practice', in virtually all of the cases covered, was that of a

➢ *strong focus in the process of training upon: identifying the problems and opportunities confronting the individual companies;*

➢ *focusing upon these between modules of the course;*

➢ *and learning about needs by leaving ample room in the programme for discussions with individual participants.*

These discussions may be in the class itself or by a process of consultant visits and/or focus groups. The emphasis upon experience exchange (see below) in many courses is also a stimulant to identification of 'unknown' needs. Examination of what a fellow participating company is doing can be a cause for reflection on issues not considered at all by other participants.

➢ *'Best practice' emerges from observation of the behaviour of others leading to an informal notion of 'benchmarking'.*

Several of the providers used consultants for need analysis before and during the programme. In Romania, for example, the programme itself emerged from the work of consultant groups who combined to put their initial experience together into a more formal learning programme. They were in a sound position to convert needs into demands. In the case of Poland the whole programme was focused upon a consultancy approach aimed at meeting very specific targets picked out before the programme commencement. In several other cases, for example in

Hungary, the programme was run in partnership with business associations or Local Enterprise Agencies. This 'partnership' facilitated process needs analysis but also the grouping of clients into suitable 'cohorts' for learning. The point was made by several of the providers that it was important to

- *ensure that participants were of similar background and from similar kinds of companies so that needs were more likely to be shared.*

Several of the providers would have liked to move towards a more industry sector approach but were wary of the suspicions that owner managers would have concerning competition.

In general the process of needs analysis was not easy, as the culture in many of the transition economies is such that there is little support for a process of open discussion of one's problems and opportunities with others. This issue, however, is one shared also in the West and relates to the relative isolation of the owner manager and the fact that the performance of the business impacts upon the ego of the owner thus creating a reluctance to engage in 'open' discussion about individual business problems.

Finally, and most interestingly, several of the providers

- *engaged participants in pre-course analysis of their business needs.*

This was, frequently, undertaken either in a preliminary workshop or was part of the first module of the programme. This provided a basis for the tutors to learn about individual company needs but also to design, later, approaches to the implementation of learning.

B. *The focus on growth potential*

In general all of the programmes, more or less, focused upon developing the business. All with the exception of the Ketto Consulting programme in Hungary focused exclusively on existing businesses (rather than start-ups). In most of the programmes there was a

- *strong emphasis upon the business development plan and upon strategy.*

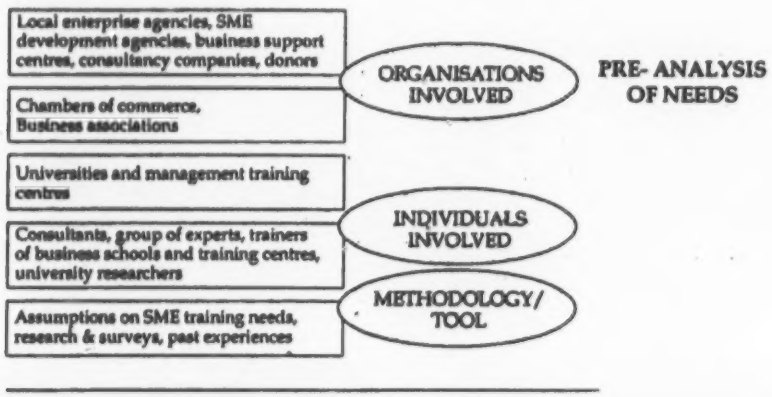
This was also very clear in the Russian case, which was concerned with the process of creating 'growth' businesses out of the restructuring of a large company, with a training and business reorganisation process going hand in hand. The main vehicle for growth came via an emphasis upon

- *new market and product development.*

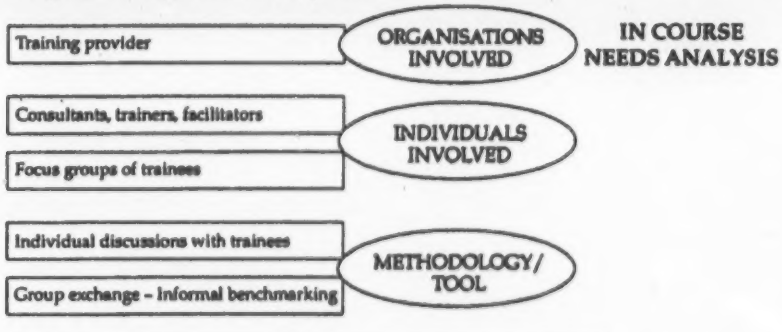
This emphasis could be identified in virtually all of the programmes and was the key to fuelling participant interest and ambition. An exception was the Polish programme which was rather more production focused. But even here the emphasis was upon gearing up the company to provide a stronger process base for new product and market development.

Table 10: Needs analysis of training programmes: Actors and tools

Programme design phase


Local enterprise agencies, SME development agencies, business support centres, consultancy companies, donors
Chambers of commerce, Business associations
ORGANISATIONS INVOLVED
PRE- ANALYSIS OF NEEDS
Universities and management training centres
Consultants, group of experts, trainers of business schools and training centres, university researchers
INDIVIDUALS INVOLVED
Assumptions on SME training needs, research & surveys, past experiences
METHODOLOGY/ TOOL

Programme implementation phase



Some of the programmes, for example in Romania and Estonia were built around a framework for growth through which all the course participants were taken. In the majority of cases, however,

- *the focus was upon strategies for growth.*

The development emphasis was undertaken via identification of perceived problems and opportunities in key parts of the business. An attempt was made to use this problem/opportunity focus as a means of broadening the potential of the business to expand as a whole. This is an important lesson to be drawn in approaching SME development via training namely that

- *owner managers are likely to be motivated and stimulated to focus on problems and opportunities rather than more broadly upon strategy unless the latter has a very tight individual business context.*

C. *Segmenting the market by combining needs*

All of those developing programmes argued that they attempted to 'more or less' ensure, via a process of segmentation, that there was

- *coherent participant group on each development/growth programme.*

In Latvia, for example, the aim was to concentrate upon people in their early 30's or 40's with certain levels of education and word processing skills. In Romania the focus was upon businesses of at least two years of age which were already selling successfully to the market place. In some cases, in the Russian Federation and in Ukraine, there was a focus upon seeking to build 'management teams'.

In general the main 'segmentation' lesson to be drawn from the cases is the

- *distinction that can be made between the emphasis upon development of the business through the programme and development of the personal owner, manager or senior manager.*

Most programmes endeavoured to attract owners or senior managers. The aim was to build upon managers with ambition to develop the business. In this respect several of the cases place emphasis upon the recognised need, by those who attended the programme, to prepare the business for a second stage development via a process of 'professionalisation' of management. Interestingly, in the Russian downsizing case one major part of that professionalisation was the development of capacities to be entrepreneurial, take risks, relate personally to the customer and the networks, and build future business development around this. There was, however, by no means a uniform approach to the issue of personal-v-business development. In Estonia, for example, there was a strong emphasis upon the development of the personality and of the individual. In Poland the major emphasis was upon the company. In other cases there was a focus upon the building of teams. All of these issues are likely to be important in addressing SME growth.

D. *Converting needs into demands*

There was concern in the cases to look for what were the 'triggers' that were designed (by the programme providers) to stimulate SME interest, (converting needs into demands). Hungary, Romania, Estonia, Ukraine and Latvia focused their programmes on identifying areas of potential business improvement with a strong 'market' message. The emphasis was upon product re-design, more effective marketing and in the case of Latvia a focus on building a business that might be international in outlook (recognising the small size of the Latvian market). In some cases this message took the form of building a team and encouraging the process of delegation by the owner managers. Virtually the whole of the Russian 'downsizing into growth companies' programme was focused upon team building. While the emphasis in many of the programmes was upon encouraging the strategic skills of the managers and business this was not emphasised in the promotional literature in recognition of the immediate 'problem solving' focus of many small business owner managers.

➢ *Problem solving and opportunity grasping seemed to be the key trigger for focusing on the 'needs into demands' conversion.*

As has been noted above several of the providers established workshops at the beginning or 'business audit systems' in order to focus on identifying individual company barriers to growth. Such barriers were frequently related to more effective marketing but not always the case. For example in the Hungarian BB programme the emphasis was upon building trust in employees and providing incentives for them to develop.

Because there was a focus upon 'building the business', there was a clear need to identify participants with the authority to implement change. An important aspect of converting needs into demand in most of the programmes was to emphasise the importance of team building, providing incentives for managers other than the owner to grow the business.

Therefore although the content of many programmes appeared to be very 'functionally orientated' in the standard sense the programme providers in general emphasised the 'holistic' nature of the development process to be attempted.

5.1.2 *Good practice in basic programme development*

Good practice in programme development focuses upon a number of aspects including such "hygiene" factors as location, timing of programme, size of class, recruitment of tutors, the development of appropriate materials and the degree to which the programme helps participants build their networks. These might be described as a basic "production characteristics" of best practice.

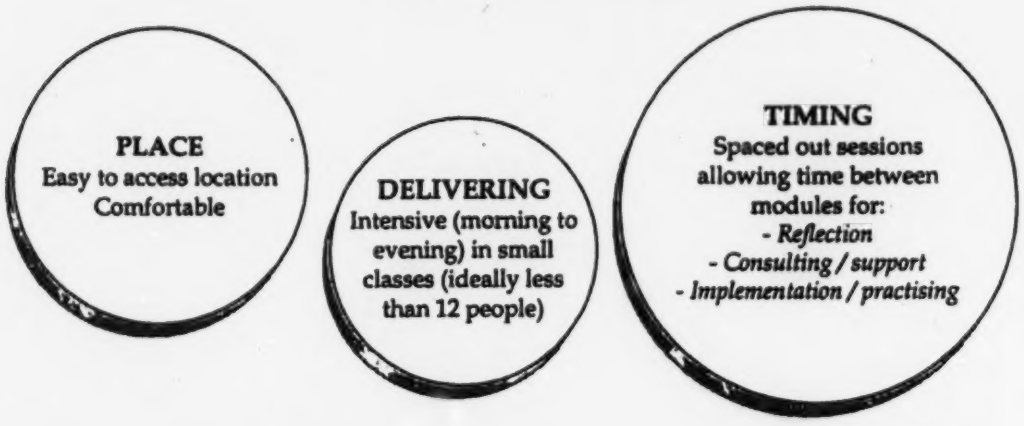
A. Location and timing

It is an unwritten rule of programme design for SME management development that owner-managers and key managers will not spend a great deal of time travelling to a programme location. The prospect, which always exists in the case of managers of large companies "of getting away from it all", scarcely exists in respect of the owner-managed business. All of the programme cases reflect the need to

➢ *minimise the inconvenience caused in attending the programme and to reduce the "opportunity cost" of the owner/key managers being away from their firm for too long.*

Programmes were therefore organised in "easy-to-access" locations. In the majority of cases very careful attention was also paid to ensuring that the locations met high standards of comfort and convenience. Finding good locations for "eating together", where a great deal of networking and participant confidence building is done, was important. The "final dinner" was designed in several cases to be an event of some consequence.

Table 11: Practical aspects of SME training organisation in the programmes analysed



Location and timing go hand in hand. Virtually all of the programmes, even those that lasted for up to two years, were organised in such a way that the

➢ *"formal" inputs were spaced out substantially.*

The key aim in this was to allow time for implementation of ideas, for consulting support and sometimes for exchange visits between participant firms in between the modules. A common practice would be to allow a period up to six weeks between modules. This, as noted by at least one provider, is a delicate issue because the aim is also not to lose the impetus of the programme but to balance this with time for reflection and practice. Timings of modules were usually short - between one and three days and were sometimes organised at weekends - so as not to interfere with the production time of the business. For some of the providers, certain times of the year were more convenient than others. When participants were "in residence", the programmes in general were highly intensive with work going on, from early morning into the evenings.

B. Class size and composition

Class sizes were, by and large, small, in some cases less than a dozen, and certainly all less than twenty. The "best practice" rationale behind this was to

➢ *allow maximum potential for participation and exchange.*

Programme break-even points were often quite low. A further restraining factor on class size was the need to ensure that participants shared aims, were more or less at an equal level, and compatible, in terms of company and individual background, and certainly not in competition with each other. The need to ensure that competitors were not brought into the classroom

together was mentioned by several of the providers as being an important condition for ensuring that substantial sharing of experience could take place.

C. *Approach and content of the programmes*

The need for a strong problem and opportunity-centred focus affected programme production. In several cases, for example with the small business MBA growth modules in Lviv, Ukraine, the programme had begun with a more general academic approach. Quickly, however, the

➢ *demands of the entrepreneurs led to a much stronger focus on the problems in practice.*

As noted above this led many of the providers into undertaking either preliminary needs analysis before the programme with consultants or dedicating the first part of the programme to an exploration of participant and organisational needs, problems and opportunities. This problem-centred focus led also into a more "holistic" approach to management. This was mentioned by several of the providers, who had started off with a rather more functional, conventional approach. Programmes needed to focus on the "how to", for example, getting money or reaching new customers and developing new products. This process seems particularly important in the transition economies where there was a sharp distinction between the conventions of management behaviour in an established market place and that of the realities of the emerging economy. Even so, it was clear, that not all the programmes could manage to provide a successful bridge between the theory of business in a formal economy and the practice of the informal sector. Yet it is clear that management training, in this respect, can play a role in legitimising businesses and encouraging those that want to grow to "formalise". Where the formal programme content seemed to be more tied to the conventional "functional" areas of marketing, finance and resource development, etc. this was balanced by a substantial part of non-classroom programme time being devoted to issues of implementation in the company. This was a way of tempering the broad theory with the practice.

D. *Development of training materials*

There appears to be no single "best practice" in the development and use of materials. Some of the providers had obviously spent a considerable amount of time in preparing a course manual. Other relied almost entirely on the inputs of the participants themselves where, classroom "cases" were based on participant problems and opportunities. The challenge to the tutor was to bring out the broader relevance of the 'case' to the rest of the participating individuals. Some providers, for example, in Estonia, used materials on a "just-in-time" basis as issues were raised in class and feedback and feed-forward became necessary. In general however, the issue of material development was obviously important. In Latvia, for example, there was reliance upon Russian case material and a recognised need to produce more local examples. Much of the material produced by the participants themselves (their own case) was fed forward into the development of the business and project plans. There were several

examples of an attempt to create "live" case studies by encouraging exchange visits between participant companies.

E. Trainers and contributors

In some programmes this was more formalised than in others. In virtually all of the programmes, frequent

➢ *use was made of visiting speakers, entrepreneurs, officials and bankers.*

All providers claimed that their tutors were well trained. This had often been accomplished by support from Western sources. Even in the Russian "restructuring via spin-off" case, the eventual in-house training team that emerged had been developed with the help of a variety of external national and international consultant inputs. Reflecting the problems in programme design, it was important to have tutors that were "street-wise" and had credibility with participants and with the stakeholders in environment. The issue of consultant and training credibility is important in all small business training, but is especially important where so much of the practice of management is evolving in an informal manner. It was important in general that

➢ *the tutor should have business experience and demonstrated this.*

In the Latvian case, the president of the school opened the programme not because he was the president but because he had started several small businesses and presented a highly credible image right from the start.

The pressures for flexibility and relevance emphasise the importance of creating a small and dedicated team which can work together and cover flexibly. The smallness of some teams, however, brought risks in that illness, or incapacity of some kind, can generate crisis. It was therefore important in a number of cases for tutors to engage in team-teaching and to be able to cover for each other. A major difficulty, faced by several of the providers seemed to be that of recruiting adequate speakers from outside, particularly those with a sound delivery capability, but also with the right kind of experience.

5.1.3 Good practice in programme delivery

It should be clear from the above discussion that at the heart of "best practice" in all of the programmes was a

➢ *strong action focus.*

Participants attended the programme mainly because they wanted to achieve something with their company, making it more professional. They therefore linked the programme with specific targets of organisation attainment. It has been noted above that basic programme timing and design was such as to allow time for implementation of learning. The action focus

of programmes can be broken down into four issues: the emphasis upon the individual participant achieving things; an emphasis upon learning from peers on the course and from outside; an emphasis upon programme follow-up; and an emphasis upon personal enterprise skills development.

A. Implementation

In virtually all of the programmes there was emphasis upon the

➢ *importance of participants being able to implement their own ideas.*

This frequently took the form of the writing of business plans, the undertaking of strength and weakness audits, the development of project work tied to particular objectives, the writing of their own cases and the frequent use of simulations aimed at rehearsing the capability to implement solutions. In the case of development programmes linked with the exploitation of an idea (for example in the start up and development programme in Hungary), all participants needed to have such an idea before attending the programme and the programme focus was upon converting this idea into business development.

B. Peer learning

There was substantial emphasis upon peer exchange and learning in all programmes.

➢ *Between a third and half of all the time available was allocated to peer exchange, interaction with external network individuals, and for company visits.*

In several programmes (for example, the Russian in-house programme), participants were invited onto the programme in teams in order to provide a solid basis for peer learning and implementation. Emphasis upon exchange seems particularly important as a practice in transition economies because, as was commented on by some of the providers, there has been little culture of exchanging experiences in this way in the educational process.

C. Building networks

Building networks, in the wider sense, appeared to be a major objective of most of the programmes. During programmes, participants were encouraged to familiarise themselves with key stakeholders with whom they might have to deal in implementing their ideas, for example, bankers and regulators. The importance of presenting the "role image" of good entrepreneurs who had already done it, as a confidence builder, was recognised as good practice. The aim, in some cases, was very strongly (for example, in Estonia) to create friendships and social networks. In several cases there was emphasis upon the importance of the entrepreneur being able to see his/her business through the eyes of key external stakeholders. The

➢ *embedding of the programme into a network was therefore an important objective.*

A more formal aspect of this networking and stakeholder interaction process was that of

- *encouraging participants to form or join a club or work in association with the Chamber of Commerce or Entrepreneurs Club.*

The value of this, would depend upon the degree to which the club or association had authority and relevance in the business community and its credibility with the broader environment particularly the regulatory environment. The regional employers organisation in Poland, for example, played a major part in launching, developing and managing the programme. In other countries where there are attempts to link with clubs or associations, participants expressed some disillusionment at the weakness of these organisations. Overall, however, "know-who" was an important aspect of all programmes. Peer groupings, peer exchange and peer linking was important in reinforcing follow-up learning.

D. Follow up

As noted above, every programme had a facility for consultant follow-up, though in some cases this was stronger and more substantial than in others. The aim was to support the implementation of learning. In some cases this was geared strongly to implementation of a "business plan". In others, for example, in Latvia, it was thought that the business plan was of less value as a comprehensive document because of the lack of recognition of it in the stakeholder environment. In Latvia the focus was more upon project implementation. One manifestation of follow-up work, as already noted, was the exchange of visits and the formation of post-course meetings, friendships and indeed business dealing. In several cases the programme was very 'implementation-led', for example in the case of Poland and in the in-house case in the Russian Federation where business development, organisation development and people development was carried forward simultaneously.

E. Personal development

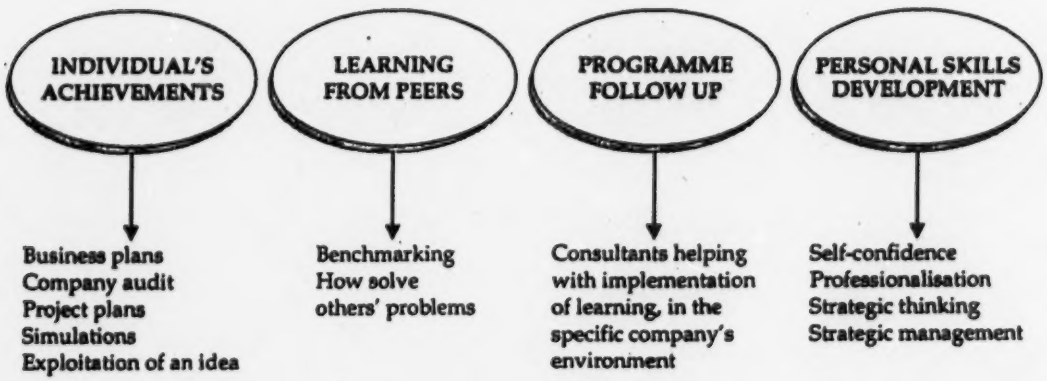
A substantial focus upon helping the business to achieve something was not at the expense of neglecting the personal development of the participants. As is clear from the case studies of programme participants discussed further below, the overwhelming aim of individuals in attending the programme was to improve their own competency and confidence. Firstly, most of the programmes mentioned the importance of the goal of

- *developing self-confidence, the pursuit of "professionalisation" of the manager*

and the team and the development of the ability to engage in strategic thinking and strategic management. The aim, was to use the problem-centred and opportunity seeking approach to develop personal skills, business skills, and strategic orientation. Several of the providers mentioned, in this respect, the importance of use of simulations, videos, cases, discussions and debates in building the personal confidence of attendees. In several of the programmes, there was an emphasis upon presentational skills and role-play. Personal development objectives

were more transparent in some programmes than in others, for example, in encouraging participants to make presentations of their business plans to the group or to outsiders. In one case this was part of the ultimate accreditation processes and in one case the awarding of a certificate. Overall, in several of the programmes the "practice" of recognising that business development outcomes would not be achieved without the confidence of participants to implement learning was an explicit objective of the programme. The variety of "active" learning methods adopted included an acknowledgement of the well regarded fact that entrepreneurs by and large prefer active rather than reflective learning modes.

Table 12: Main issues and outputs of the "action focus" component of SME training



5.1.4 *Reaching the market*

The key areas under which "best practice" can be explored in this respect include the use of brochures and other printed materials, the value of introductory workshops and events, the utilisation of personal networks and recommendations, the effect of working with intermediary channels, the employment of a joint ventures strategy in launching the programme, and the subsidisation of price.

A. Brochures and promotional material

The use of brochures as an effective marketing tool appears to be secondary to other means of written promotion of which articles in newspapers and building upon successful clientele feedback were the most popular. Nevertheless emphasis was placed by several providers on the importance of the wording and language of the brochure, in relation to the client group. For example, if the programme emphasis is to be on business development and on businesses of a certain size, age and experience - this should be stated clearly in the brochure. The use of

journals for promotion was not restricted solely to newspapers but was extended to newsletters of associations, business organisations and entrepreneurs clubs.

B. Introductory workshops

A key method of recruitment employed was by participation in exhibitions or the use of introductory workshops. The latter might even extend into invites to a Christmas party! There might be presentations to individual companies or "open days". Of particular importance was the use at these events of former participants of tutors with business experience.

C. Personal recommendations

Notwithstanding the use of conventional advertising an important market strategy for all providers was personal recommendation. For this to be successful providers needed to actively build links with former participants and their representative associations, use photographs and opinions of former students and keep a record of alumni who might be called upon to assist in promotion. In one case, this extended to the development of an alumni newsletter. The tactic of recruitment via personal recommendation was not something that happened by accident, but was the product of a careful strategy.

D. Using intermediaries

Closely linked with the above is the use of marketing through intermediaries of which the most popular were the business clubs, employers organisations, entrepreneurs associations and local enterprise development agencies. Not only by this method was it possible to reduce the cost of recruitment and marketing, but it was also possible to underpin the programme with greater credibility by its association with partners. In the case of Poland, for example the programme was effectively managed under the umbrella of the Employers Association and in two other cases the marketing and recruitment was undertaken by Local Enterprise Agencies. The creation of and involvement, with clubs, associations and agencies is potentially helpful to programme participants in adding credibility to the programme offer and in offering opportunity for follow-up support and for continued peer learning.

E. Joint ventures

One end of the spectrum in partnering is the effective operation of a joint venture between an intermediary organisation and the programme provider. In this case the role of organiser and provider is joined seamlessly together – a guideline to good practice. Reaching the market in isolation is extremely difficult in all countries and particularly difficult in the transition countries.

F. *Price policy*

In a substantial number, but not all, of cases, an attractive marketing feature was the subsidisation of price. In the intra-company case in the Russian Federation the price was full cost but effectively born by the large "holding" company, ZIEM. In several cases, for example, in Poland and Hungary the price was subsidised by external country donors. External subsidy makes the sustainability of strategic programmes in the long run questionable. Best practice in this respect would

➢ *involve as a sustainability element, the target of the price subsidy being ultimately taken over by a local organisation*

for example, local or central government. To find such a strategy was rare. This problem of programme subsidy is one not only associated with programmes in transition economies, but is acute throughout the world. It demands a consistent approach to local enterprise development on behalf of central and local government. Attempts to provide full-cost alternatives can only succeed in respect of very short programme inputs (usually of a functional kind) or programmes targeted at larger medium sized companies.

G. *Evaluation, monitoring and management control*

The ideal practice in programme evaluation is to have measures at the summative (programme output) levels and formative (programme process) levels. The former exist to measure the impact of the programme on individuals and companies. The latter aims to measure effectiveness in managing the process of programme development and delivery.

➢ *There were no outstanding examples of "best practice" in evaluation.*

Most of the programme providers claimed that they undertook simple "reaction" evaluations following the course. These commonly focused upon feedback on teachers, materials, utility and presentation. In some cases, for example, in the growth modules of the MBA in Lviv, Ukraine, reaction evaluations were linked to initial statements of learning needs. Little attempt appears to have been made however to take measures at other levels of summative evaluation including behaviour change, project development and ultimate outcome in terms of the growth and development of the business. This is unfortunate as most of the programmes claimed a clear link between the learning input and the attempt to turn this learning into practice via implementation of a business plan, project or a problem solution. Some evaluations were able to comment on the success or otherwise of achieving implementation as judged by the reaction comments of participants. There was, however, little feedback on 'hard' outcomes achieved such as savings in costs, increases in revenue or profit, increases in productivity and so on. Overall, the providers indicated that they would ultimately seek to evaluate at this level, but none provided any evidence in this respect. Yet comparing this situation with "best practice" in western countries there is arguably little difference. There was little evidence that, in the West, providers of development programmes

for small or medium enterprises use 'ultimate' cost-benefit evaluations based on "hard" company development outcomes.

Western programme evaluations of this nature are few and far between. The reason is that they are difficult to undertake, are highly resource intensive and involve follow up over a considerable period of time. It is therefore scarcely surprising that there was a weakness in this respect in the transition economies visited.

The position in terms of 'formative' feedback was, however, rather more optimistic. Because of the modular nature of many of the programmes, attempts were made to

➢ *provide regular 'feed-forward' between modules.*

In the Ukraine, for example, there was an attempt at personal benchmarking at the beginning, leading to an ongoing process of evaluation against benchmarks and some self-assessment tests and written and verbal feedback as to progress. A similar process was undertaken in Latvia, with ongoing monitoring and adjustments leading to new developments.

The implementation of process evaluation feedback was made possible in a number of cases through the designation of programme managers, whose responsibility covered the whole gamut of programme process from recruitment selection and communication with participants through to ensuring that basic hygiene factors such as accommodation, food, materials, handouts etc were looked after. Client feedback could be part of this process. Several of the programmes demonstrated consistent concern for ongoing client programme management. Emphasis was placed upon premises being "light and airy", capable of being used flexibly, in attractive locations with space for relaxation, good sound proofing, eating facilities and so on. An important part of the programme management in virtually all cases, and a sign of good practice, was the

➢ *management of consultancy follow-up, both between modules and ultimately at the end of the programme to encourage learning by implementation.*

Where this was done by "in-house" consultants, it needed less management than when there was a link with third parties either national or international. Bringing together the logistics of consultant availability with the availability of time of entrepreneurs and matching this with their capacity to implement was an extremely difficult and complex process but this seemed to have been approached with some enthusiasm. There is, however, little evaluation material available to judge its ultimate success.

In some cases the consultancy follow-up was provided by third parties either by in-house (within the institute) as in the case of the Lviv Business Support Centre, or externally, as in the case of Poland. Only in the Russian in-house large company restructuring case was there a consistent link between process and outcome. The outcome of the ZIEM project, namely the creation of growing independent or semi-independent companies breaking away from the large firm can be clearly seen. It is, however, less difficult to demonstrate how much of this is a

function of the training itself rather than of the management process. Indeed, as arguably should be the case, training was seen as an intrinsic part of management, and therefore inseparable, in theory and practice.

No data was provided on financial control or out-turn of the programmes. Most seemed to be operating at near to breakeven, even with, in several cases, substantial external funding.

➢ *No evidence was provided as to the real cost of the programme and/or of the capacity to deliver such programmes on a free standing basis.*

5.2 *Lessons to be drawn from the participant individual and company cases*

The key issues that can be drawn from the examination of the clients cases can be grouped as follows:

1. issues relating to the nature of the problem and the motivation to learn;
2. the feedback from the learning process itself;
3. views on the outcomes.

As noted in the introduction to the cases the companies and individuals approached the programmes from different standpoints. In some cases there was a much stronger emphasis upon individual personal development than in others. In the case of the Russian Federation, Poland, Hungary (in both cases) and Romania there is a clear focus on business development. In other cases (for example Estonia) the business development aspect of the programme was linked more closely to the individual learning process (the application of learning to a project or a problem). Notwithstanding, virtually all of the individuals recruited to the programme had a problem centred focus although the degree to which this was specific varied. For example in Hungary the problem was expressed as 'the need to focus more on the private sector' or the 'need to expand'. In Estonia this might be to 'find a new business development'. In Ukraine it might be to 'move more into the formal economy'. In Latvia, there was more specific imperative to move the company away from the danger of decline in the local market. In general, however, it would appear that participants approached the development programmes with a clear notion of a need for company development in mind.

In some cases it would appear that it was by means of the programme itself that a specific problem or opportunity was more clearly defined. This partly reflects the way in which programmes are advertised. It is possible to take up a very specific problem focus in a programme and to recruit accordingly to this. The point was, however, made by some providers that

➢ *individuals and companies do not necessarily have a clear notion of the problems they face, but are only aware of symptoms before they come on the programme One of the objectives of the programme is to help them focus in this respect.*

The emphasis upon individual development was much more a collective feature of all of the programmes. **Key motivations of participants** included:

- *becoming more professional;*
- *meeting the network;*
- *motivating staff for business development;*
- *fulfilling ambition;*
- *expanding the business;*
- *overcoming difficulties;*
- *working more closely with the environment and with customers in particular;*
- *building trust;*
- *learning to cope with uncertain environments;*
- *identifying and realising opportunities for diversification and growth.*

Most of the programmes and their objectives seemed to reflect these motivations and the programmes were designed to help participants realise their objectives of personal development through organisational learning and practice. The cases indicate that the expectation of participants in respect of being able to link learning with the company and with their own personal development was met in most, but not all cases.

An important aspect of learning, often neglected in value terms in respect of SME business development programmes was the notion that

➢ *clients may add little to their formal knowledge but add a great deal to what they can do with their existing knowledge base as a result of having time to think and encouragement to structure their experience.*

This is an important element of good practice. In line with this view a great deal of the learning, recognised by the companies concerned, came from interaction with other participants and with the external network. In a number of cases this was part of the process of being able to think more strategically about growth.

The cases demonstrate that most companies could identify some impact on their firm following the programme although this was rarely pinned down specifically for purposes of tight evaluation. In one case where there was a frank admission that there had been no transfer from the learning to specific project implementation in the company (AMM in Hungary). There had, nevertheless, been a subsequent remarkable rapprochement between the training

provider and the company leading to a series of partnerships in recruitment, selection and in-company development. The programme, therefore, while having no specific immediate outcome led to the building of trust between the provider and the participant business. From a process evaluation perspective this is very significant.

Overall, there was almost universal recognition of

- *learning associated with finding new contacts and networks upon which companies and individuals could build confidence.*

This may be particularly important in respect of the former 'isolationist' culture of doing business in transition economies and in respect of the process of moving from informal to more formal business activity.

Insofar as the learning outcomes can be summarised in general, an overwhelming

- *reaction from the companies was to value the emphasis upon practice rather than theory.*

In some cases however, the programme was still felt, despite the efforts of the provider, to reflect the rather unreal world of the formal business rather than the real more informal world and state of the economy. Most of the companies pointed out the difficulties of growing their business in the current economic climate and the adverse impact of external factors such as regulation, the ineffectiveness of the banking system, the lack of true contract relationships, and the uncertain nature of the market. The key process outcomes from the programmes identified by the companies seem to be as follows. Firstly, the importance of group exchange. Secondly, the impact of an action learning environment upon the development of personal confidence. Thirdly, the opportunity for follow-up support. Fourthly, the opportunity for planning, particularly of a strategic nature. Fifthly, in a limited number of cases (for example in Lviv), the opportunity to build a team (similarly in the Russian Federation). Sixthly, the opportunity to build personal contacts that lasted beyond the programme. Finally, being able to conduct an audit of one's own company.

Key process outcomes of training: companies' point of view

1. Group exchange.
2. Action learning impact on personal confidence.
3. Opportunity of follow-up support.
4. Strategic planning.
5. Building a team.
6. Building a network.
7. Having one's own company audited.

The summative comments from the participant cases can be viewed from two perspectives. That of the individual and that of the organisation. In general the individual feedback was highly supportive. Interestingly a great deal of the emphasis was placed, not upon the impact of the business knowledge, but upon broader issues such as the ability to be more self reflective, to 'learn about oneself', the ability to 'stand back' from the business, the ability to 'review responsibilities and relationships', and overall, to find new ideas.

In terms of the organisation there was a clear emphasis upon developing the business plan, providing clearer direction for the business, identifying opportunities for dramatic change in organisation and particularly marketing, market expansion and network contacts internationally, creation of spin-off companies (in the case of the Russian Federation), improvement in marketing promotion, development of marketing plans, and improved profitability.

These feedbacks are extremely positive although it should be emphasised, that the cases themselves reflect the opinions of the attendees in the programme. They stem from interviews with them and those who were responsible for sending them on the programme. The views have not been validated in any in-depth analytical sense. Such an impact analysis is beyond the resources of this work. It should also be born in mind that the cases were selected via liaison with the providers and therefore probably represent the best of the practice and the best of contacts.

They nevertheless serve to emphasise what seems to be an important process of working with the small and medium enterprise and in particular that unique mix between individual and business development.

Table 13: Main benefits of training seen from the entrepreneur's point of view

On him/herself	On the organisation
■ Ability to be more self-reflective ■ Learn about oneself ■ Ability to stand back from the business ■ Ability to review responsibilities and relationships ■ Ability to find new ideas ■ Increasing self-confidence	■ Developing the business plan ■ Providing clearer direction for the business ■ Identifying opportunities for dramatic change in organisation ■ Expanding the market and building a network of contacts internationally ■ Creating spin-off companies ■ Improving marketing promotion ■ Developing marketing plans ■ Improving profitability

5.3 *Summary and conclusion*

Drawing down from the comparative case analysis it is possible to identify a number of key issues as follows.

The importance of the process of needs analysis. The cases demonstrate the difficulty in finding resources for effective needs analysis, the advantages of using third parties and linking with associations and Local Enterprise Agencies in this respect. They also demonstrate clearly the importance and value of checking needs as an initial part of the programme by a process of company audit and self-diagnosis. Finally they underline the importance of flexibility in programme design so that the programme, by leaving a substantial 'set aside' for participant discussion can itself provide a means for monitoring and highlighting learning needs.

In respect of ***segmenting customers*** the cases point to a number of areas of important 'good practice'. Firstly, the importance of selecting managers of the same calibre and companies at the same stage of development thus facilitating experience exchange, but at the same time avoiding selecting potential competitors. Only one programme, that of Ketto Consulting in Hungary, combined start-up with development. Secondly, and importantly, finding a focus on business growth and development particularly but not exclusively, linked to market and product expansion. Finally, the importance of attracting individuals, or in a number of cases groups of individuals, interested in focusing upon business development alongside personal development.

Complementary to the above is the need to ensure that the programme appeals to the motivations of those who want to 'stand aside' from the business and reflect yet be in a position to carry the lessons of this reflection back into the company.

In programme design and delivery there are a number of 'good practice' indicators. The most important is an emphasis on the potential for action in programme design that links periods for implementation with support as well as follow-up after the final programme ends. A key aspect of design was the encouragement of learning from others in attendance and ensuring that timetable allows time for this. This in turn demands a pedagogy that builds in the developments of personal skills such as presentation, negotiation, selling and selling through simulation and interactions. Linked with this is a focus on developing materials for the programme which encourage participants to build on their own experience, develop their own cases and bring forward their own development plans. To make these real, in turn, there is a need to ensure that the programme is open to the utilisation of key external organisations both as role models, in the case of entrepreneurs and as examples of stakeholders with whom the entrepreneur will have to work in developing the business. Finally, underpinning programme production effectiveness is the ability to tailor programmes carefully to fit in with the entrepreneurs' limited time and resource availability allowing time for implementation. The obvious importance of restricting class sizes to groupings that will enable participation and the building of friendships is also important.

In marketing programmes a wide variety of good practice can be found. The importance of working with partners is underlined, particularly those with the responsibility of identifying needs and with credibility in the small business world. In general the rule is to maximise the utilisation of appropriate networks and channels to reach the client and underpin the credibility of the programme provided. This means that providers themselves should have a wide credibility with the stakeholder network. A key factor in developing the marketing of the programme over time is the use of personal recommendation and of personal 'success' stories of previous participants. A technique for this which is worthy of notice is that of holding initial introductory workshops which allow would-be participants to explore the value of the programme with those who have already been on it. A key marketing factor which remains a major problem for many of the providers is that of price and the associated full cost viability of the programme. Most but not all of the programmes were substantially subsidised and in a way that could not be guaranteed over time. It is undoubtedly the case that a large number of donor funded external interventions will not be sustainable with the present pricing structure. There is some potential to move to a fuller cost base but almost certainly there will need to be developed a strategy as to ways in which price can be subsidised in the future if the smaller end of the small business market is to be attracted.

Programme evaluation remains relatively weak, at least in terms of measuring ultimate outcomes over time – the impact on profit, performance, turnover and growth. The modular style of much programme provision, however, enabled an ongoing process of evaluation to take place feeding forward from one module to the next. Although there were no formal ultimate evaluations the case studies demonstrate that in the majority of cases developments that took place in the company could be related to the training input. There is some weaker evidence to demonstrate also that the networks of the individuals concerned, and perhaps the companies, were extended as a result of the programme. An outstanding example of training being embedded in business development is that of the in-house programme in the Russian Federation linking training, management and organisation development seamlessly with the main company's strategic plan.

Finally, given the difficult logistics involved in the design of many of these programmes the role of ***programme management*** becomes important in key areas of holding the programme together over a considerable period, linking tutors with consultancy inputs in company, enabling the feedback of learning from such exercises into the modular structure, and ensuring that hygiene factors are adequately catered for. Almost all of the providers mentioned the importance of these factors. The programme recipients hardly mentioned them at all indicating the success (rather than otherwise) of management.

6. Recommendations: the way ahead

6.1 *Introduction*

In this study an attempt has been made to bring together a number of principles as to best practice in supporting, through training, the growth of small and medium enterprises in Central and Eastern Europe. Some of the key principles to be drawn from the West were outlined in Chapter two. In Chapter three an attempt was made to review the 'practice' in Central and Eastern Europe, on a broad base. By and large it demonstrates that there is little distinctive effort that can be traced in respect of training support of growth companies. It is clear, however, that certain principles can be drawn from the general practice of the establishment of Small Business Centres and other initiatives to support the growth and development of small and medium enterprises and of entrepreneurship, and these were reviewed. The cases in Chapter four provide an encouraging scenario in that they demonstrate that many of the principles set out earlier, drawn from experience elsewhere, can be embedded in programmes successfully in the transition economy context. Moreover it is clear that programmes embodying these principles can have an impact on individuals and upon companies. The lessons to be drawn from the cases are therefore encouraging.

In looking forward there must be a recognition of much of the 'best practice' is not widely embedded in the West. Most western countries have great difficulty in attracting small and medium enterprise owner-managers and their staff to formal training and consultancy approaches. At the lower size end of the market there frequently have to be subsidies as a means of encouragement. There is no widely recognised success formula for sustainable management development and training support of growth SMEs. When this is combined with the extremely difficult environmental circumstances still operating in many of the transition economies visited in this study then it becomes clear that there is little ground for optimism that, in the short run, training and development for growth companies will become a wide spread phenomena. In most of the programme cases covered there was a problem of ultimate sustainability. There is a problem of developing any 'scale' approach support of such businesses. Yet the issue of creating a substantial middle business sector must run high on the development agenda of all of the countries visited. The contribution that such businesses make to shaping social stability via the creation of an entrepreneurial middle class and a

balanced structure of industry and commerce in society is well known. Moreover they serve to prevent a polarisation between the micro (informal) and the large country sector (public and private) to create a competitive environment to meet needs at a local and regional level.

No attempt is made in this concluding section to reiterate the lessons set out earlier. A number of recommendations, are however, made below which are of a broader nature to serve as guidelines for future support and development.

6.2 *Recommendations*

1. *To avoid too simplistic an approach to the targeting of growth businesses*

It is clear from western experience that attempts to simply define growth businesses on the basis of previous performance (employment, turnover or profit), turnover and to target these for 'special attention' is not likely to be substantially successful. Past performance is not always the best guide to future potential. The lesson to be drawn from the cases and the best of western experiences to seek

- *to focus upon helping those companies that do want to make a step change in their development via the search for new markets, new products and new processes.*

These were the major drivers to companies seeking out the growth programmes described in this study. The lesson for policy makers in this respect is to open up gateways to those companies seeking formally to develop, to provide support for those who have the capacity and motivation to develop. They do, however,

- *need to group them via a process of segmentation of like-needs in order to optimise learning opportunities.*

2. *To place emphasis upon management development and not just training*

The lessons to be drawn from western experience and also underlined in the case studies, confirms

- *the importance of the development of the company alongside the development of the people and of the organisation.*

Owner-managers and key managers in small firms will in general learn more from the experience of developing the business than they will from any formal training programme. The external training offer is but one small aspect of the development of managers. The signs

from this study are that such an offer will be most effective when it builds close links between learning and application to the business and allows time for reflection by experience. The major aim for many growth courses can therefore be to let participants address the immediate problems and opportunities facing their businesses but in a way that leads them into a broader strategic pattern of thinking.

3. *To stimulate partnership between organisers and providers of training*

The creation of such partnerships was a hallmark of many of the programmes studied in this report. They clearly meet a number of the needs including that of undertaking preliminary effective needs analysis, grouping the customers in a meaningful way according to their shared needs, ensuring credibility for the programme providers by nature of their association with business networks, being able to link into information and other sources of help for participants, effective marketing of the programme, support for follow-up and linking formal learning with implementation in the business, and overall, providing means of potential subsidy of some of the costs of working with small and medium enterprises. Building networks of organisers and providers locally and regionally should be a key objective.

4. *Recognising the development needs of stakeholders as an important ingredient in SME growth*

It is clear both in the West and certainly from the transition economy cases in this study that small companies have difficulty with aspects of their regulatory and stakeholder environment. This is particularly acute in transition economies and bears radically upon the decision as to what degree to 'formalise' the business.

- *This is not just a function of creating an adequate set of regulations or of attempting to foster a de-regulatory climate but very much an issue to do with the way in which existing rules and regulations are implemented by the staff of agencies on the ground.*

It also is clear from the cases that the banking and finance system in general is not seen to be supportive of the needs of the types of businesses portrayed in this study. Education and training in support of growth businesses therefore needs to be directed not just at the SMEs themselves but at those who work with them. Only by this means will a society embodying trust in market business dealings emerge.

5. *Accepting the principle of subsidisation*

It is evident from the review of experience in the West and in the transition economies that most training and development programmes for small and medium enterprises of the kind covered in this report carry an element of subsidy. By and large, while owner managers and

their staff prefer to learn 'on-the-job' the constraints of time, resource and cash upon decisions to take up more formal training are well recognised.

➢ *Sustainability of many of the programmes covered in this study in the long run will be a function of on-going subsidy.*

There is little doubt that should a full cost recovery rate be charged then the programmes would need to be targeted on larger scale businesses. In this respect it should be noted that subsidy can be achieved in a number of ways: by sponsorship by banks or other organisations; by partnership and joint venturing where an organisation such as a business association covers some of the cost of the programme (for example marketing); by resource being dedicated to the development and adaptation of materials and the training of trainers (and the subsidisation of basic investment costs); by the granting of free use of rooms or resources for training (for example in a local authority building) as well as by direct cash subsidy. Most of these methods demand partnership as described above. In the longer run, however, the issue of subsidy seems an important one for local authorities and public organisations to take into account if their concern is to foster local economic development and a sound business and social structure.

6. *Developing the capabilities of trainers and consultant*

The cases in this report demonstrate there are special skills needed in respect of training and consulting with small and medium enterprises in particular: the capacity to take a holistic business approach to the auditing of development needs and implementation of learning; the competency to take a multi-disciplinary problem centred approach in teaching and training; the need to use a wide range of 'active' teaching methods; and the ability to network with and utilise effectively the external stakeholder environment. All these require specialist skills. In the cases examined there has obviously been, for the teachers/trainers, a great deal of learning by doing. Some of their skills have been acquired by partnership with western organisations and through joint programme development. If their capacities and models are to be extended more widely in the countries concerned then there will need to be established internal mechanisms for the training and development of small and medium enterprise advisers and teachers.

7. *Developing underpinning teaching materials and resources*

The cases demonstrate that often the best teaching resource is the experience of the participants themselves. To utilise this experience effectively in a way that others can learn from requires a high level of teaching skill noted above. It is also, however, evident that in many cases there is deemed to be a need for 'back-up' materials and cases in appropriate form and in a country/industry sector specific context. Support for the development of such materials and cases is therefore required. In this respect means might well be found to utilise

the cases of successful programme practice in this report and disseminate this widely in order to challenge teachers and trainers.

8. *Utilising a wide range of institutions and businesses*

Small and medium enterprise management development and training is not limited to the offer of institutes. The cases in this report demonstrate that sources of external support cover private consultant groups, individual freelance trainers, non-governmental organisations and foundations, specialist support centres, large companies bent upon restructuring their business into smaller units, in-house trainers and consultants (within the company), as well institutes of management and business schools. This richness in typologies of providers indicates that those who seek to develop support structures for SME training and development should not necessarily seek a standard institutional approach but should look for the 'entrepreneurial trainers' in the local community and build upon their efforts. Such entrepreneurs in themselves are likely to have a greater empathy with the client group often because they are equally concerned to 'make a living' or find wider and different ways of gaining support for their efforts. Such a flexibility in approach does not, however, lessen the need to engage universities, and particularly management schools in pursuit of support for the small and medium enterprise. Undoubtedly much of their traditional curricula has been developed around the norms of western large company management education. As was found in a number of cases contained in this report there was a need to move away substantially from their traditional modes and content of delivery if they were to successfully interface with the entrepreneurial organisation.

9. *Creating a focus on long-term capacity building*

In the process of harvesting the cases contained in this report it became clear that there is no substantial transparent major institutional capacity in transition economies to work with existing small and medium enterprise growth business. It proved difficult to identify cases of 'good practice'. Certainly there are many of the new business development centres and other organisations funded by external donor bodies that offer traditional short courses in functional areas to small and medium companies. But there are not many outstanding examples of the kinds of programmes demonstrated in this study. Given the social and economic importance of creating a strong indigenous middle business sector in the transition economies then there is a case for a

- *determined effort to create a stronger long term institutional capacity to deal with the small and medium enterprise.*

It has already been noted that the traditional business schools, by and large, do not have a substantial capacity in this respect. There are also doubts about the sustainability of many of the local development institutes set up at regional or local level with western donor support.

The results of this study beg the question as to the need for a more sustained development of institutional capacity in support of the existing small business and its transference from the informal into the formal sector via a process of 'professionalisation'. The institutionalisation of 'best practice' contained in this study is therefore a major challenge.

Annex 1 - Methodology

Introduction

The aim was to identify an appropriate number and cross section of programmes from different countries in Central and Eastern Europe. Case studies built around these programmes should be exemplars of success in SME entrepreneurial development in Central and Eastern Europe. The hope was to cover at least five transition economies and up to 10 programmes. In practice six countries were covered and nine cases: one case each from Estonia, Latvia, Poland, Romania and Russian Federation and two from Hungary and Ukraine. Each case covers a review of the programme and at least one and sometimes two) reviews of participant individuals and companies.

Identification of case studies

The terms of reference from the European Training Foundation specified that selection of case studies should be undertaken with Foundation advisors on critical issues. In addition, existing contacts held by the SME Foundation in Central and Eastern Europe were approached during the selection of cases.

The selection procedure was broadly conducted in 3 phases as follows:

- 1st phase - questionnaire to identify examples of good practice in Central and Eastern Europe;
- 2nd phase - discussions with partners in Central and Eastern Europe;
- 3rd phase - workshop to establish focus and content of cases.

The first phase involved the development of a questionnaire by both the European Training Foundation and the SME Foundation which was sent, via email or post, to all contacts held by the two organisations. The questionnaires sent out by each organisation differed slightly, although broadly the same issues were covered. Copies of the questionnaires are included in this Annex. The questionnaires aimed to gather, quickly and briefly, information about the

Central and Eastern European participants, their training/SME programmes/initiatives and details about an SME beneficiary.

Responses to the questionnaire are outlined below.

In practice, the process of selection was less structured and more ad hoc than proposed. This was due to a poor response rate to the initial call for proposals via a postal and email questionnaire.

Preparation of the case studies

The second and third phases of work involved more intensive working with the selected partners in Central and Eastern Europe. This involved two main activities. The first was asking Central and Eastern European partners to produce a written draft of their case study – including information about design and delivery, as well as innovative features of their case in their country. It was also necessary to have more detailed information about at least one company that had benefited from their programme.

The second key activity was a 2 day intensive workshop in Turin, working closely with Central and Eastern European partners to inform them about the precise nature of what was required and to help them produce a case outline. Five partners attended the workshop. The format requested for the cases is shown later below.

Programmes and providers

These were as follows:

Estonia (Marju Unt, Estonian Euromanagement Institute)

Programme – Company Growth Strategy Programme
Beneficiary company – Wilde Irish Public House

Hungary 1 (Andrea Frenyo/Eva Malik, BBF)

Programme – Growth Management Programme
Beneficiary company – AAM Management Information Consulting Ltd

Hungary 2 (Agnes Tibor, Ketto KFT)

Programme - Start-Up
Beneficiary company - KRETZ - Translation Services

Latvia (Ella Kalnina, RICEBA)

Programme - SME Management Programme
Beneficiary company - Fil and Co

Poland (Witold Kajaszczak, Polish SME Foundation)

Programme - Development of Services for SMEs
Beneficiary companies - DECMET
- Firma H. Sypniewski

Romania 1 (Silvia Pop, BFM)

Programme - SMEs Growth
Beneficiary company - UNISOFT

Russian Federation (Stanislav Ljapunov, ZEM)

Programme - In-company training for restructuring
Beneficiary companies - Malbar
- Forest

Ukraine 1 (Antonina Kharlamova, LVIV Institute of Management)

Programme - Growth Small Management Module
Beneficiary companies - Halyna Hol'dak
- Nastas

Ukraine 2 (Antonina Kharlamova, LVIV Institute of Management)

Programme - Improving Profits Programme
Beneficiary companies - Torgpresa
- Sava

Annex 2 – List of respondents to first phase questionnaire

Name	Organisation	Country
	DUBS questionnaires	
Lindita Dhima	Institute of Pedagogical Studies	Albania
Antonina Stoyanovska	Foundation for Entrepreneurship Development	Bulgaria
Marju Unt	Estonian Euromanagement Institute	Estonia*
Andrea Frenyo	Business Basics Foundation	Hungary*
Ilona Viczian	TOP Expert Limited Partnership	Hungary*
A.S. Mavlyanov	Bishkek Academy of Finance and Economy	Kyrgyzstan
Irina Sennikova/ Ella Kalnina	RICEBA	Latvia*
Grazina Strazdiene	Vilnius Cooperative College	Lithuania
Ileana Maican	Crown Agents	Romania
Dorin Arion	Centre for Development in Management	Romania
Nicholescu Ovidiu	International Management and Marketing Institute	Romania
Maria Doicu	UNDP - UNIDO/RBEC	Romania
Ioan Popa	Academy of Economic Studies	Romania
Cezar Scarlat	Center for Business Excellence	Romania
Silvia Pop	Business Foundation Mures	Romania*
Peter Litavec	RAIC of Poprad	Slovak Republic
Sergey Kozachenko	ICEMD	Ukraine
Galina Eremenko	International Centre of Privatization, Investment and Management	Ukraine
Antonina Kharlamova	LVIV Institute of Management	Ukraine*

Name	Organisation	Country
	ETF Questionnaires	
Danilo Krapec	Regional Development Agency Mura Ltd	
Petean Florin	Centre for Development in Management	Romania
Qemal Balliu	Small Business Foundation	Albania
Avenir Kika	Training, Enterprise and Employment Foundation	Albania
Andras Csik	Bekes County Foundation for Enterprise Promotion	Hungary
Istvan Susuk	Budapest Enterprise Agency	Hungary
Jevgeniss Kovalucuks	Femirc-Latvia	Latvia
Sergey Nazarchuk	BSC Intmar-Newbiznet	Ukraine
Simona Iancu	Galati Regional Development Agency	Romania
	Case studies/no questionnaires	
Witold Kaszczak	Polish SME Foundation	Poland*
Lypunov		Russian Federation *

Annex 3 – Participants selected to produce case studies

(* denotes those involved in the 2 day Turin workshop)

Name	Organisation	Country
Marju Unt	Estonian Euromanagement Institute	Estonia*
Andrea Frenyo	Business Basics Foundation	Hungary*
Ilona Viczian/ (Agnes Tibor contact)	TOP Expert Limited Partnership	Hungary
Irina Sennikova/ Ella Kalnina	RICEBA	Latvia*
Silvia Pop	Business Foundation Mures	Romania*
Antonina Kharlamova	LVIV Institute of Management	Ukraine*
Witold Kajszczak	Polish SME Foundation	Poland
Lypunov	ZEiM	Russian Federation

Annex 4 – Questionnaire on SME entrepreneurship training

Your name: _____

Your position within your organisation: _____

Name of your organisation: _____

Telephone number, fax number and e-mail address: _____

Name of the programme that you are nominating (one programme only):

Training programme provider:

Organisation name (if different from above) _____

Person responsible (if different from above) _____

Telephone number, fax number and e-mail address: _____

Name 2 beneficiary companies:

Name of beneficiary companies: (MUST BE SMES AND STILL BE IN BUSINESS)	**Number of employees**	**Main field of business:** ***Manufacturing, Distribution & Transport Construction, Other***	**Total turnover**	**% annual growth in turnover**

DETAILS OF THE TRAINING PROGRAMME YOU HAVE NOMINATED

Who is the programme for (target group)?	**Tick as appropriate**
1. Entrepreneurs (persons who take main investment and other strategic decisions)	❑
2. Key managers (persons responsible for the operational management of finance, marketing, production, human resources, etc.)	❑
3. Other _____	❑

How was the programme funded?	**Tick as appropriate**
1. Wholly from participants' fees	❑
2. Wholly from a subsidy (e.g., Tacis, Phare or your government)	❑
3. Combination of fees and subsidy	❑

Commitment required by participants in the programme

Number of days attendance in classroom activities _____ days

Number of days of own time spent on practical activities _____ days

Duration of the programme

Number of _____ days _____ weeks _____ months _____ years

Measure of results achieved for the beneficiaries	**Tick as appropriate**
1. Growth of turnover	❑
2. Growth of workforce	❑
3. Growth of market share or number of customers	❑
4. Growth in profitability	❑
5. Other _____	❑

What are the strengths of the training programme	Tick as appropriate
1. Business audit	❑
2. Training needs analysis	❑
3. Design process	❑
4. Adaptation (tailoring) to clients needs	❑
5. Pedagogical innovation/mode of delivery/Materials	❑
6. Marketing of the programme	❑
7. Evaluation and follow-up	❑
8. Stakeholder support (e.g., by banks, government departments, social partners, large firms)	❑
9. Other _____	❑

Content of the training and development programme	Tick as appropriate
1. Strategic thinking and strategic development for growth	❑
2. Scanning the environment and markets for growth opportunities	❑
3. How to plan, resource and manage a growth project	❑
4. Problem identification, analysis and problem solving	❑
5. Improving systems for decision making, e.g., management information, finance	❑
6. Product or service improvement, e.g., design, quality or delivery improvements	❑
7. Human resource development	❑
8. Other _____	❑

Please state below in a few words only why YOU think this programme should be selected as a case study that demonstrates good practice. Why is the programme considered to be innovative and effective in facilitating the growth of client companies?

ADDRESS FOR RETURN OF THIS QUESTIONNAIRE

Michelle Wood
Project Manager
Central and Eastern Europe Group
Small Business Centre
Durham University Business School
Durham City DH1 3LB
UK

Annex 5 – Briefings for the case development

1. *Summary of the case*

One page only – please spell out at this point those aspects of the case that are innovative. Please also indicate as clearly as possible how the case relates to Business Growth.

1. Introduction to yourself and the context – how the opportunity to work in this particular area arose, the reason why you think this is important – the kind of things that might be achieved by the programme.
2. Introduction to your own organisation – how this case/programme fits into it.
3. Any broader background you think is relevant, for example regarding the state of the economy or policy interests/programmes that affected your work or approach.
4. The customer group for the approach – how well defined – do they need to be segmented and if so how. Please characterise the customers as well as possible. Please indicate how you identified the market, how broad it is and if there was any market research and how it was carried out.
5. The needs to be met – spell these out in as much detail as possible – how do these translate into the programme objectives. Please spell out any process of needs analysis that was undertaken.
6. How the needs translate into programme targets. Spell the aims and objectives out clearly and in a way that follows from the needs analysis. Indicate as clearly as possible the outcomes expected in terms of learning objectives, behaviours that the programme is enforcing (what can participants do after the programme that they could not do before and what can they do better.
7. Indicate here the programme content in a much detail as you think necessary – if possible show how the content links clearly with the aims and objectives – indicate how much is formal input and how much is experience exchange.
8. The teaching style – indicate the mix between teaching, experience exchange, mentoring, practice and application. Demonstrate how you link with post training action in supporting mentors.

9. Indicate the kind of staff and teachers that you used and how you ensured that they were really competent. Use of entrepreneurs outsiders and their role. What are the core skills. If you used externals how did you recruit them and train them.
10. What kind of materials do you use? Is there a manual and how is it used? What cases if any are used?
11. Location and time. How long is the programme and why is it designed in time terms as it is? How much input is there and when does it take place?
12. How do you reach the market - recommendation - how? e.g. mailings, press, PR, preliminary workshops. Brochure preparation? What is the message you are selling to the companies? Why? What makes them take the buying decision in your view?
13. Price cost relationships. Is it stand alone or subsidised and if so how and why?
14. Role of networks and associations if any in this programme - support, marketing, teaching etc.
15. Evaluation, monitoring and control. What kind of evaluations were carried out? What are the 'ultimate' outcome targets proposed? What is measured?
16. Process and management of the programme. What are the key issues in managing the programme? The key things to get right.
17. What are the problems and how did you overcome them?

TRY TO WRITE IT AS AN INTERESTING STORY - NOT A BORING LIST OF THINGS

Then write an annex setting out more formally the programme:

- The marketing message - title and any key selling points in the programme;
- The aims and objectives;
- The content of the programme and its organisation;
- A participant profile - who should attend;
- Benefits to the participants from attending;
- Programme outcomes promised;
- Timing and timetable;
- Existence of manuals;
- Teachers and teaching style;
- Price.

2. *Background to client organisation*

THINGS TO THINK ABOUT - CLIENT PICTURE

PERSON(S)	COMPANY
Personal background ■ career/age/gender ■ education/profession ■ family (if relevant)	Background ■ age ■ size ■ industry ■ products ■ customers ■ markets ■ stage of development ■ growth history
Position in company Ownership Management team	Plans for growth - areas/why
Personal motivations Attitude to learning	Environment ■ competition ■ economy ■ policy
Reactions to offer ■ institution 'rules'/culture ■ price/cost - value ■ timing/location ■ relevance - personal company development ■ what turned the decision ■ outcomes desired	Problems/concerns

PERSON(S)	COMPANY
Involvement in process ■ contribution/interaction ■ networks/relations ■ actions undertaken ■ learning - key areas of interest	Training track record/policy?
Outcomes Reaction - highs and lows Learning behaviour - how tos Involvement in/motivation to action Results	Company reaction to offer - motivation - relevance
	Company outcomes desired
	Contribution to growth

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